

# Stratford-on-Avon District Council Efficiency Plan 2016/17 to 2020/21

## 1. Introduction

1.1 This Efficiency Plan has been produced in response from the Secretary of State for Communities and Local Government in order to secure the proposed future years settlements announced alongside the Final Local Government Finance Settlement on 8 February 2016.

1.2 The table below identifies the current spending plans for the Council over the period covered by this Efficiency Plan, which also incorporates the proposed multi-year settlements referred to above:

	<b>2016/17</b> £	<b>2017/18</b> £	<b>2018/19</b> £	<b>2019/20</b> £	<b>2020/21</b> £
<b>Net Expenditure</b>	<b>13,292,721</b>	<b>13,306,651</b>	<b>13,477,911</b>	<b>13,516,491</b>	<b>13,414,191</b>
Cont. to/(from) Reserves	780,834	220,385	(1,418,172)	(1,422,001)	(1,490,872)
<b>Net Budget Requirement</b>	<b>14,073,555</b>	<b>13,527,036</b>	<b>12,059,739</b>	<b>12,094,490</b>	<b>11,923,319</b>
<u>Less</u>					
Revenue Support Grant	1,117,334	491,400	111,545	0	0
Rural Services Delivery Grant	297,269	240,031	184,639	240,031	240,031
Transition Grant	61,449	61,228	0	0	0
Business Rates Retention	2,749,000	2,785,580	2,813,436	2,841,570	2,869,986
New Homes Bonus	3,040,928	3,057,310	1,920,802	1,843,136	1,500,000
Collection Fund Surplus	51,215	0	0	0	0
<b>Council Tax Income (*)</b>	<b>6,756,360</b>	<b>6,891,487</b>	<b>7,029,317</b>	<b>7,169,903</b>	<b>7,313,302</b>
SDC Council Tax £5 increase in 2016/17 then 2% onwards	<b>£133.05</b>	<b>£135.71</b>	<b>£138.43</b>	<b>£141.19</b>	<b>£144.02</b>

(\*) – Due to uncertainties surrounding Growth in Housing and associated costs along with number of potential claimants receiving Local Council Tax Reduction, no increase in Tax base has been assumed.

1.3 The table above demonstrates that whilst the Council will have surpluses in each of the next two years, when the reductions in Government support are coupled with the potential reductions in New Homes Bonus the Council will be requiring contributions from reserves from 2018/19. This is sustainable in the short term however, in order to ensure that the Council remains viable a Strategic Review has been commissioned which will fundamentally assess both what are the priorities for the future Council, and how the Council can generate resources to support these priorities.

1.4 The following table identifies that the Council has a strong position in relation to reserves, these are currently well above the minimum level determined by the Council's s151 Officer, however, unless changes are implemented these reserves would be approaching the minimum level in 2020/21.

## Stratford-on-Avon District Council Efficiency Plan 2016/17 to 2020/21

Forecast Reserves Statement	2016/17 £'000	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
Reserves as at 1 April	4,734	6,150	6,371	4,952	3,530
Contribution from Reserves	781	220	(1,418)	(1,422)	(1,491)
T/fer from Earmarked Rs	635	0	0	0	0
<b>Reserves as at 31 March</b>	<b>6,150</b>	<b>6,371</b>	<b>4,952</b>	<b>3,530</b>	<b>2,040</b>

1.5 To provide Government with the necessary assurance to secure the proposed multi-year settlements this Efficiency Plan will identify the following:

- The Council's success in identifying and implementing savings;
- The opinion of the Council's appointed Auditors in relation to delivering Value for Money;
- The current Medium Term Financial Plan; and
- The Council's Strategic Review Process and how this will help identify and deliver further efficiencies.

### 2. Savings and Efficiencies 2011/12 to 2016/17

2.1 The Council has received successive reductions in Central Government funding since 2011/12. During this period the Council has been proactive in identifying those areas which are no longer a priority for our communities and stop delivering, and those areas where efficiencies can be delivered without significantly impacting upon service delivery.

2.2 Since 2011/12 recurring savings approaching £3m have been identified and delivered, each of these savings are shown in Appendix A to this Efficiency Plan. The main areas that the Council has implemented savings arise from issues such as:

- Ensuring that the services become more efficient, modernising processes and systems;
- Implementing shared service arrangements with other local authorities;
- Proactively managing contracts and identify innovative solutions;
- Increasing income where appropriate to cover the cost of activities.

2.3 The areas shown in Appendix 2A, along with intelligence from the local government family will help guide the Strategic Review process in identifying further areas for improvement

### 3. Auditors Value for Money Conclusion

3.1 The Council has been able to demonstrate to successive auditors that it has the "proper arrangements" in place to secure economy, efficiency and effectiveness on the use of its resources. In April 2016, the Council's new auditors Ernst & Young as part of their first audit undertook an extensive exercise to assess the current position.

3.2 An extract of their Annual Report in respect of their Value for Money Assessment which was presented to the Audit & Standards Committee on 24 September 2016 is attached at Appendix B. The overall assessment identifies that the Council does have in place the required "proper arrangements", and that there are no significant risks in relation to the authority's budget.

# Stratford-on-Avon District Council

## Efficiency Plan 2016/17 to 2020/21

### 4. Medium Term Financial Plan

- 4.1 The Council goes beyond the statutory minimum and produces a five year rolling Medium Term Financial Plan (MTFP), the latest version of which was approved by the Council in February 2016. This MTFP is attached at Appendix C.
- 4.2 The benefit of a five year MTFP is demonstrated when assessing issues such as the continued reduction in central government funding, which would not be so evident if the Council only concentrated on the next three financial years (between years three & five reserves are scheduled to reduce by c£3m).
- 4.3 Given the strong financial position that the Council is currently in, along with an accurate assessment of future funding and spending levels, the Council can act strategically in both terms of future spending levels and income targets. As a result of the MTFP approved in February 2016, and ahead of the communication from Government in relation to Efficiency Plans, the Council had already agreed to undertake a Strategic Review of its activities.

### 5. Strategic Review

- 5.1 Commissioned in February 2016, the Strategic Review for Stratford-on-Avon District Council will report its initial findings in order to influence the preparation of the 2017/18 budget and the next Medium Term Financial Plan.
- 5.2 The terms of reference for the Strategic Review were signed off by the Leader of the Council in April 2016 and include the following aims and objectives:

*The aim of the Group is to act as a discussion forum and make recommendations to The Cabinet on the corporate objectives and financial sustainability of the Council. To study how these objectives should be financed and what the authority's priorities should be for the next five years.*

- (a) *To act as an advisory panel in relation to the development and delivery of Council Services, the means of financing them and how delivery plans should be prioritised within the overall net budget of the Council;*
- (b) *To assess and make contributions to the Council's Corporate Strategy Action Plan;*
- (c) *To document all potential sources of revenue to the Council and how these may provide income streams to deliver Council services and the infrastructure to support the Council's policies;*
- (d) *To consider proposals from all political groups for new services and innovative ways of delivering the Council's statutory and corporate services;*
- (e) *To study the potential for delivering a range of services in partnership with other Councils, acting in line with the recent recommendations of the Overview and Scrutiny Committee, endorsed by The Cabinet;*
- (f) *To consider relevant recommendations from informed studies and evidence of those responsible for the strategic direction of the Council; and*
- (g) *To provide advice to The Cabinet about how the recommendations of the Group should be documented and published as an implementation plan.*

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## **Efficiency Plan 2016/17 to 2020/21**

5.3 To ensure that the Strategic Review is considered in a managed way a number of discrete Work Streams have been established to undertake the exercise as follows:

➤ **Work Stream 1 – Future Vision of Service Provision**

This work stream will review the Council's current service provision, contrast this against strategy documents such as the Corporate Strategy and manifesto commitments before making recommendations on the future direction of the Council. The results of this exercise would be subject to consultation with public/business and full Council.

➤ **Work Stream 2 – Cost Comparison and Benchmarking**

When the Council is clear about the mix of future services, this review will be undertaken to ensure that the Council is providing these services in the most cost efficient method. A review of the internal/support costs will be undertaken through CIPFA with also a review of the cost of providing both internal and external services.

➤ **Work Stream 3 – Ways of Working**

A complete objective review of how services are delivered including in-house provision, contracted out services, working in partnership and establishment of Council owned companies. This will build upon successes for the Council and the lessons learnt from recent experiences with Cherwell and South Northants Councils.

➤ **Work Stream 4 – Income Generation and Asset Review**

In order to support the cost of delivering services a review into options for recovering costs and ensuring the assets that the Council owns provide commercial returns.

➤ **Work Stream 5 – Strategic and Policy Issues**

This overarching Work Stream would cover national issues which are affecting the Council such as welfare reform, employment issues and local taxation strategies. Final recommendations are expected in this area which will have significant implications on the funding of the Council and therefore the mix of services which are sustainable.

## **6. Conclusion**

6.1 The Council has in place the necessary experience, plans and strategies to ensure that it can continue to be viable and act in an efficient way to support our communities. This Efficiency Plan identifies the specific areas of activity that should demonstrate to Government our commitment to working in an environment with reduced resources.

6.2 Whilst it is disappointing to note the future likely financial settlements from Central Government, it is extremely useful to the Council to have this level of information to assist with Medium Term planning. Therefore the Council would like to ensure that the levels of support identified within the 2016/17 Local Government Financial Settlement can be secured.

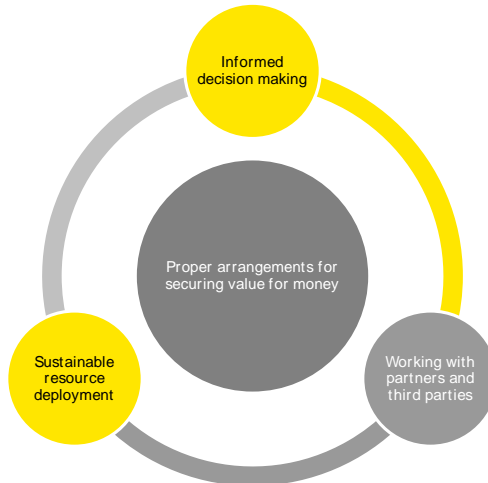
### Summary of major savings in 2016/17 Budget

Description of Saving	Value of annual saving 2015/16 £	Year Introduced into budget
Reduction in Council Tax Redcuton Scheme Grant	30,000	2016/17
Reduction in Audit Fees	33,260	2015/16
Reduction in Council Tax Redcuton Scheme Grant	30,000	2015/16
Reduction in Bank Charges	7,000	2015/16
Reduciton in valuers fees	5,000	2015/16
Removal of Borrowing Provision	400,000	2015/16
Income from Consultation activity	4,800	2014/15
Savings from Shared Services	75,000	2014/15
Reduction in Council Tax Redcuton Scheme Grant	27,000	2014/15
Restructuring of the Accountancy Section	40,000	2013/14
Shared Service Procurement Gains	80,000	2013/14
Reduction in Training Budget	15,000	2013/14
Land Drainage Service savings	23,000	2013/14
Waste Services savings	180,000	2013/14
Reduction in Homelessness Budget	30,000	2012/13
Reduction in "Change Implemenation" Budget	125,000	2012/13
Income from Public Conveniences	50,000	2012/13
Increased income from Leisure Contract	42,800	2012/13
Customer Access Savings	773,000	2011/12
Reduction in Social Inclusion	50,000	2011/12
Reductions in Revenues and Benefits	90,000	2011/12
Reduction in Community Transport	75,000	2011/12
Reduction in Voluntary Sector Grants	100,000	2011/12
Redcution in affordable housing	50,000	2011/12
Reduction in Tourism funding	150,000	2011/12
Reduction in Car parking Costs	100,000	2011/12
Redcution in Community Leadership funding	100,000	2011/12
Cease Area Committees	10,000	2011/12
Reduction in Corporate & Democratic Services	118,000	2011/12
Reduction in Member Services	95,000	2011/12
Reduction in Grounds Maintenance Budgets	75,000	2011/12
<b>Total</b>	<b>2,983,860</b>	

## 1. Value for money

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

For 2015/16 this is based on the overall evaluation criterion: “In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.”



Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

### 1.1 Significant Risks

Reduced levels of central government mixed with challenging local socio-economics and demographics means the Council needs to identify a significant amount of efficiency and cost savings in the next three years.

As set out in our Audit Plan, we did not identify any significant risks in relation to these criteria. We did, however, agree to keep two areas under review:

1. The Council's financial standing as set out in the financial statements for the year ending 31 March 2016.

As part of our planning procedures we calculated a series of financial ratios to assist our assessment of whether a significant risk to the Value for Money conclusion existed. These ratios were updated at the conclusion stage of our audit with a sample of those used set out in the following table, definitions are set out at Appendix G.

Key financial ratios	FY 2014	FY 2015	FY 2016	VFM Audit risk?
Net cost of services as % of gross expenditure	34%	33%	37%	No - Year on year performance is generally consistent. Increase in 2015/16 requires a watching brief over the Council's general fund reserves.
(Surplus)/Deficit on provision of services as % of gross expenditure	7%	6%	9%	No - consistent with movement in net cost of services
Current ratio	3.1	3.6	3.0	No - Positive current ratio indicates strong working capital financial standing
Cash, cash equivalents and short-term investments	24,202	20,786	19,838	No - Short-term assets are in excess of current liabilities and the net revenue budget
Creditors, accruals and short term loans	5,115	6,656	7,239	No - Creditors are significantly lower than levels of cash and cash equivalents
Asset turnover ratio	0.70	0.70	0.63	No - Positive ratio
Net assets	37,973	26,913	39,017	No - Positive net assets
Movement in net worth	N/A	-29%	45%	No, although a significant variance, the movement is attributable to the pension fund liability and movement in actuarial valuations. An area to be kept under review.
Reserves	FY 2014	FY 2015	FY 2016	
General Fund Balance	4,363	5,106	6,084	No, GF balance brought forward is in excess of minimum level set by the Council
Earmarked reserves	563	1,726	1,763	No, increase in earmarked reserves to fund specific expenditure.

As set out in the Council's Narrative Report to the financial statements, the Council's net spend in 2015/16 was £571k less than its net expenditure budget of £13million. Some of this underspend will be deferred to 2016/17, resulting in an effective underspend of £208k.

The Council's financial performance directly impacts its financial standing as measured by the level of Usable Reserves as at 31 March 2016 as set out in the following table:

£'000s	General Fund	Earmarked Reserves	Total Usable Revenue Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves
Balance at 1 April 2014	4,363	563	4,926	11,077	453	16,456
Increase in 2014/15	743	1,162	1,905	(1,515)	(294)	96
Balance at 31 March 2015	5,106	1,725	6,831	9,562	159	16,552
Increase/(Decrease) in 2015/16	978	37	1,015	(3,544)	(84)	(2,613)
Balance at 31 March 2016	6,084	1,762	7,846	6,018	75	13,939

The Council's total usable revenue reserves have risen from £4.9million at 1 April 2014 to £7.8million at 31 March 2016. Whilst capital reserves have fallen over the past two years, this is in line with the Council's overall capital programme.

As such, we are satisfied that the Council's financial position at 31 March 2016 is not an indicator of a significant risk to the 2015/16 value for money conclusion.

From our work, however, we do note that the Council's financial position over the next three years becomes increasingly challenging. It is an area that needs to be kept under review and could lead to a risk to the value for money conclusion in future years.

2. The outcome of other aspects of assurance work, such as the audited financial position and the Head of Internal Audit's opinion.

The Head of Internal Audit's opinion for the year was one of substantial assurance: "Based on the results of work undertaken during the year, my opinion is that the Authority's control environment provides substantial assurance that the significant risks faced by the Authority are addressed."

We are satisfied that there were no new or undetected significant risks to the Value for Money conclusion arising through the work of Internal Audit.

Our audit of the financial statements, as explained in this report has not identified any audit adjustments that impact on the Council's general fund reserves. As a result, we are satisfied that there is no impact on our Value for Money conclusion.

## 1.2 **Overall conclusion**

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.



**Stratford on Avon District Council  
Medium Term Financial Plan 2016/17 to 2020/21**

**Appendix C**

	<b>2015/16 Original Estimate £</b>	<b>2015/16 Current Estimate £</b>	<b>2016/17 Base Budget £</b>	<b>2017/18 Base Budget £</b>	<b>2018/19 Base Budget £</b>	<b>2019/20 Base Budget £</b>	<b>2020/21 Base Budget £</b>
Chief Executive	1,186,722	1,374,722	1,165,272	1,037,682	1,049,612	1,061,722	1,073,982
Assistant Chief Executive	2,904,001	2,863,434	3,000,320	3,210,390	3,475,110	3,746,310	3,914,740
Head of Ent. Housing & Revenue	1,673,835	1,675,925	1,664,005	1,692,065	1,683,565	1,709,375	1,735,535
Head of Legal & Dem.Services	1,042,840	1,043,340	1,049,500	1,058,990	1,068,560	1,170,530	1,088,140
Head of Customer Access	963,710	1,207,310	1,027,620	1,044,140	1,060,900	1,077,900	1,095,090
Head of Environment & Planning	1,156,770	1,041,570	1,136,620	1,170,600	1,205,040	1,239,930	1,275,320
Head of Technical Services	3,747,952	3,766,529	3,923,444	3,930,404	3,950,544	3,970,944	3,991,604
Proposed Growth & Savings - App 3 pt 2	0	389,167	325,940	162,380	(15,420)	(460,220)	(760,220)
<b>Net Base Budget</b>	<b>12,675,830</b>	<b>13,361,997</b>	<b>13,292,721</b>	<b>13,306,651</b>	<b>13,477,911</b>	<b>13,516,491</b>	<b>13,414,191</b>
Financed By							
Revenue Support Grant	1,893,722	1,893,722	1,117,334	491,400	111,545	0	0
Business Rate Retention	2,442,194	2,442,194	2,749,000	2,785,580	2,813,436	2,841,570	2,869,986
Council Tax Freeze Grant	69,954	69,954	0	0	0	0	0
Rural Services Delivery Grant	0	0	297,269	240,031	184,639	240,031	240,031
Transition Grant	0	0	61,449	61,228	0	0	0
New Homes Bonus	2,247,410	2,247,410	3,040,928	3,057,310	1,920,802	1,842,986	1,500,000
Council Tax	6,331,663	6,331,663	6,756,360	6,891,487	7,029,317	7,169,903	7,313,302
Collection Fund Adjustment	5,272	5,272	51,215	0	0	0	0
<b>Total Council Resources</b>	<b>12,990,215</b>	<b>12,990,215</b>	<b>14,073,555</b>	<b>13,527,036</b>	<b>12,059,739</b>	<b>12,094,490</b>	<b>11,923,319</b>
<b>(Surplus)/Deficit</b>	<b>(314,385)</b>	<b>371,782</b>	<b>(780,834)</b>	<b>(220,385)</b>	<b>1,418,172</b>	<b>1,422,001</b>	<b>1,490,872</b>
<b>General Fund Reserve</b>							
Balance B/fwd	4,252,995	5,106,031	4,734,249	6,150,165	6,370,551	4,952,379	3,530,378
Surplus/(Deficit) for year	314,385	(371,782)	780,834	220,385	(1,418,172)	(1,422,001)	(1,490,872)
Transfer from earmarked Reserves	0	0	635,082	0	0	0	0
<b>Balance C/fwd</b>	<b>4,567,380</b>	<b>4,734,249</b>	<b>6,150,165</b>	<b>6,370,551</b>	<b>4,952,379</b>	<b>3,530,378</b>	<b>2,039,506</b>

**Stratford on Avon District Council**  
**Medium Term Financial Plan 2016/17 to 2020/21**

Schedule of Proposed Growth/Savings	2016/17 Base Budget £	2017/18 Base Budget £	2018/19 Base Budget £	2019/20 Base Budget £	2020/21 Base Budget £
<b>Chief Executive</b>					
Neighbourhood Plan Post	0	0	0	0	0
Potential loss of shared service savings	0	50,000	100,000	100,000	100,000
Contribution to the Coventry & Warwickshire LEP	20,000	0	0	0	0
Review of Management Team Structure	(100,000)	(100,000)	(100,000)	(100,000)	(100,000)
Contribution to West Midlands Combined Authority	25,000	0	0	0	0
Strategic Budget Review	0	(100,000)	(250,000)	(500,000)	(750,000)
<b>Total Chief Executive</b>	<b>(55,000)</b>	<b>(150,000)</b>	<b>(250,000)</b>	<b>(500,000)</b>	<b>(750,000)</b>
<b>Assistant Chief Executive</b>					
Introduction of Community Infrastructure Levy	0	0	0	0	0
Support to ILEAP re payroll	1,000	1,000	1,000	0	0
Reduction in Grant re Local Council Tax Reduction Scheme	(30,000)	(70,000)	(110,000)	(150,000)	(200,000)
<b>Total Assistant Chief Executive</b>	<b>(29,000)</b>	<b>(69,000)</b>	<b>(109,000)</b>	<b>(150,000)</b>	<b>(200,000)</b>
<b>Enterprise, Housing &amp; Revenue</b>					
Support towards UBUS scheme	86,000	86,000	86,000	0	0
Support towards Shakespeares Birthday Celebrations	13,700	0	0	0	0
Funding agreement for Destination Management Organisation	75,000	75,000	75,000	0	0
Bduk - Phase 2 (£475,000 Capital Bid)	9,500	19,000	19,000	19,000	19,000
**** Additional funding for DFGs (Capital Bid WITHDRAWN) ****	0	0	0	0	0
Contribution towards Warwickshire Safeguarding Adults Board	2,100	2,100	2,100	2,100	2,100
<b>Development of Growth Bids</b>	<b>45,000</b>	<b>45,000</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Enterprise, Housing &amp; Revenue</b>	<b>231,300</b>	<b>227,100</b>	<b>182,100</b>	<b>21,100</b>	<b>21,100</b>
<b>Legal &amp; Democratic Services</b>					
Additional costs surrounding Individual Electoral Registration	45,500	45,500	45,500	45,500	45,500
<b>Total Legal &amp; Democratic Services</b>	<b>45,500</b>	<b>45,500</b>	<b>45,500</b>	<b>45,500</b>	<b>45,500</b>
<b>Customer Access</b>					
Enhanced Webcasting resilience (£12,000 CAPITAL BID)	2,740	2,980	2,980	2,980	2,980
Upgrade to Local Area Network (£150,000 CAPITAL BID)	3,000	13,000	13,000	13,000	13,000
Upgrade of Server Environment (£120,000 CAPITAL BID)	2,400	7,800	7,800	7,800	7,800
Impact of New Microsoft Licences (£360,000 CAPITAL BID)	5,000	5,000	12,200	19,400	19,400
<b>Total Customer Access</b>	<b>13,140</b>	<b>28,780</b>	<b>35,980</b>	<b>43,180</b>	<b>43,180</b>
<b>Environment &amp; Planning</b>					
Core Strategy Implementation Team	100,000	100,000	100,000	100,000	100,000
<b>Total Environment &amp; Planning</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>	<b>100,000</b>
<b>Technical Services</b>					
Disposal of The Grange - Southam (£500,000 CAPITAL RECEIPT)	20,000	(20,000)	(20,000)	(20,000)	(20,000)
<b>Total Technical Services</b>	<b>20,000</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>	<b>(20,000)</b>
<b>Total Proposed Amendments to Budget</b>	<b>325,940</b>	<b>162,380</b>	<b>(15,420)</b>	<b>(460,220)</b>	<b>(760,220)</b>