

# **SOUTHAMPTON CITY COUNCIL EFFICIENCY PLAN 2016/17 TO 2019/20**

## **Background**

The Council's City Efficiency Plan for the period 2016/17 to 2019/20 incorporates the detail contained within the Medium Term Financial Strategy (MTFS) and its Capital Strategy. These are framed by the overarching City Vision and Council Strategy.

The four key outcomes for the Council are:

- Southampton is an attractive and modern city where people are proud to live and work;
- Children and Young People in Southampton get a good start in life;
- Southampton is a city with strong sustainable economic growth; and
- People in Southampton live safe, healthy independent lives.

The Council Strategy summaries these Outcomes and the priorities of the Council, how we expect to deliver the services that support those priorities, and who the Council will work in partnership with to deliver those services.

## **Medium Term Financial Strategy**

The MTFS focuses on determining the financial position for the period up to and including 2019/20 and takes into account major issues affecting the Council's finances, including international, national and regional economic influences as well as local factors and priorities. It identifies risks and looks to mitigate those risks through provisions within reserves and balances to ensure the council has adequate resources to cover the uncertainty and risk.

This MTFS forms part of the base assumptions for developing the overall budget, together with unavoidable service pressures agreed by the Cabinet and the Council's Management Team (CMT) that need to be taken into account in the overall budget deliberations.

The MTFS recognises the key role that financial resources play in the future delivery of services, and enabling the effective planning, management and delivery of those services. A sustainable MTFS is therefore key to the effective delivery of the Council's overall aims of achieving better outcomes for residents.

## **Addressing the Budget Gap**

The Council has a current budget gap of £42.3M up to the end of 2019/20. The approach to addressing this gap can be broadly seen within three work programmes;

- Business as usual monitoring and budget reviews throughout the year;

- Progressing the Transformation Programme providing regular updates to members; and
- The implementation of outcome based budgeting to clearly link business planning and budgeting and focus on service outcomes.

## **Efficiency Strategy**

Considering the continued financial challenge facing the Council there is an increased need for fundamental, transformational change across the organisation, in both the services it delivers and how it delivers them. This programme is the main driver to ensuring the council has a balanced and sustainable set of services.

The Efficiency Strategy has been developed into a number of streams:

### Operating Model

The concept of which was presented to and approved by Council in February 2015 and involved the implementation of a new organisation structure to support outcome based budgeting and reduce budget envelopes. This will be achieved by reducing the top layers of the Council so the Council's structure reflects a smaller number of management layers with broader spans of control. As the Council, is in main, a people driven organisation, a large proportion of our expenditure is linked to staff costs. As such, it is inevitable that the restructuring in support of the new operating model will need to extend beyond the management tiers mentioned above. Further phases of staff consultation will need to be rolled out in the next financial year and beyond. These will be informed by other transformation initiatives such as those described below and further joined up working and integration of services with partner organisations.

### Digital

A fundamental review of the Council's use of technology, with the objective of positioning this not merely as an essential tool for the delivery of services, but rather an intrinsic part of the Council's future 'DNA'. The Council aims for its customers to have an increased and better ability to self-serve, online, at a time that suits them, while ensuring that the requisite support is available for customers who do not have the skills or means to interact with us digitally. The 'Digital' programme will be pursued in two elements. The first will initially focus on 'digitising' high volume, high cost services in order to drive efficiencies through the automation of process and enhanced levels of integrated workflow solutions. The second element will build on this fundamental step to position the Council as a 'digital' organisation by facilitating better integration of services across departments, ensuring better and more seamless customer journeys. These initiatives will enable the Council to operate a leaner structure, whilst also delivering savings in third party spend (with contractors and suppliers) and assets (such as property and office accommodation). These will be through enabled reductions in facility requirements, customer contact structures, consolidation of back office and corporate service functions and retirement of old IT legacy.

## Service Excellence

An 'organisational development' programme' that looks to address the need for efficiencies through the deployment of performance management and improvement processes aimed at freeing up staffing capacity as well as service standards, through a planned and better focus on service objective setting, KPI management and measurement, workflow, and agile team based working.

## HR policies and procedures

Various efficiency improvement initiatives relating to staffing considerations, including vacancy management, the management of temporary and agency staff, sickness and absence management, and exit process.

## Activity Analysis

Reviewing the various service activity to ensure efficient and effective delivery of services.

## Service Cost Recovery

Cost reduction, minimisation or avoidance activities whose main focus is ensuring that discretionary services provided by the Council are delivered on a basis that either enables the relevant service to recover all of the fixed and variable costs and overheads incurred in the provision of those services, and/or generate the appropriate level of income that is commensurate with the market value of the service being delivered.

## Procurement & Contract Management

A review of the Council's expenditure on third party service provision, including the re-procurement of services to secure better market rates, as well as a more fundamental look and consideration of the actual need for future services and the introduction of measures that can help suppress demand in the first place. As part of this workstream, negotiations are ongoing with the Council's strategic service delivery partners to deliver further contract efficiencies and savings.

## Commercialisation

Investigating all opportunities for generating income to the council to replace reducing Government funding.

## Prevention and Early Intervention Approach

The Council has also embarked on a programme of reshaping its resources to invest in prevent and early intervention to achieve better outcomes for residents and reduce costs in the longer term. The first areas of focus are social care services for children and adults.

This programme will not be without cost and where it is financially sound to do so the Council will be looking to utilise the new flexibility around capital receipts (Further information regarding this flexibility is contained within the Capital Strategy 2015/16 to 2019/20).

## **Outcomes Based Budgeting**

The Council is in the process of moving to an outcomes based planning and budgeting approach to determine the best way of delivering services. The Council has reviewed its current expenditure on an outcomes basis and from this baseline point is now determining what the appropriate level of spend needs to be to deliver on its agreed priorities, within the financial envelope available.

This is a very different approach to the previous one whereby individual services develop savings proposals for consideration by Cabinet and the Council's Management Team, as reflected in the 2015/16 budget report. The sheer scale of the financial challenge ahead will make the current incremental method of finding efficiencies unlikely to identify the level of savings required. Nor will it target resources allocation to the priority outcomes in the most effective way.

Implementing an outcome based budgeting approach will not be a quick process, The timing and approach taken to implement this fundamental review of services will be critical. The outcome based planning and budgeting needs to:

- Frame the right commissioning question regarding outcomes to determine the service design principals;
- Be integrated with the service design gateway process, so that the options appraisals and business cases prepared for services as part of the service design process are consistent with the objectives of this bottom-up review and the commissioning approach (i.e. the fundamental needs and outcomes for the services must be reviewed in addition to scope and delivery model options);
- Not be constrained by the current scope of services and the way things are traditionally done;
- Not be constrained by pre-determined views from within the Council or from models elsewhere;
- Be open to innovation, new ideas and technology and to challenging thinking in relation to how services are scoped, structured and delivered;
- Have political buy-in and be owned at the top level of the Council; and embed the new Operating Model's commissioning principles and approach within the organisation.

## **Earmarked Reserves**

We aim to identify, within the MTFs, the financial risks facing the Council in the medium term. This includes assessing the risk of continuing reductions in Central Government Funding. The subsequent budget shortfalls that the Council then faces and overall local and national economic factors which can affect the financial stability of the council.

In light of the increasing level of risk and uncertainty identified with the MTFs and the increased probability of resources being required to support its delivery, a full review of useable reserves and provisions has been undertaken. In closing the accounts for 2015/16 a view was taken on maintaining and strengthening, where necessary, those reserves specifically earmarked to support the highest areas of risk resulting in the rationalisation of reserves and provisions where possible and in some cases additional funding being set aside. The most significant risk reserves are listed below:

### Capital Funding Risk Reserve

The Council now has a number of options available for the use of capital receipts to meet the cost of both revenue and capital projects. Monies have been put aside to meet the potential shortfall in or timing of receipt of capital funding to mitigate the impact on the general fund revenue account.

### Organisational Design Reserve

The reserve holds monies to meet the financial cost of redundancies as a result of organisation design changes for the period of the MTFs.

### Medium term financial risk reserve

Following on from the compilation of the Council's MTFs, and the identification of the risks that are currently in the funding system, demand pressures and the potential for savings to be delayed as the Council goes through a period of major change, monies have been set aside to mitigate these risks on a non-recurrent basis.

### Taxation Reserve

Due to the volatile nature of business rates, the predicted recession in 2019/20 and the intended move to 100% Business Rate Retention by 2019/20, monies have been set to mitigate against any loss of income from both this and council tax, to enable a smoothing of the impact.

### Transformation Reserve

To ensure the Council can continue to transform and innovate in order to reduce costs whilst improving outcomes, a reserve is set aside to pump prime this transformation.