APPENDIX 4

Efficiency Strategy 2016/17

1. Introduction

As part of the November 2015 Spending Review, the Government announced that it would introduce flexibility for the period of the Spending Review for local authorities to use capital receipts from the sale of non-housing assets to fund the revenue costs of service reform and transformation. Draft Guidance on the use of this flexibility was issued as part of the Provisional Local Government Finance Settlement on 17 December 2015.

2. The Draft Guidance

The Draft Guidance issued by the Secretary of State under section 15(1)(a) of the Local Government Act specified that:

- Local authorities will only be able to use capital receipts from the sale of property, plant and equipment received in the years in which this flexibility is offered. They may not use their existing stock of capital receipts to finance the revenue costs of reform.

- The expenditure for which the flexibility can be applied should be the up-front costs that will generate future ongoing savings and/or transform service delivery to reduce costs or to improve the quality of service delivery in future years. The ongoing revenue costs of the new processes or arrangements cannot be classified as qualifying expenditure.

- The key determining criteria to use when deciding whether expenditure can be funded by the new capital receipts flexibility is that it is forecast to generate ongoing savings to an authority's net service expenditure.

- In using the flexibility, the Council will have due regard to the requirements of the Prudential Code and to the CIPFA Local Authority Accounting Code of Practice and

- The Council is also required to prepare an Efficiency Strategy before the start of the year to be approved by the Full Council – this is that Strategy.

As the Guidance is still in draft form the requirements may change.

3 **The Council's Proposals**

The Draft Guidance sets out examples of qualifying expenditure which included "funding the cost of service reconfiguration, restructuring or rationalisation (staff or non-staff), where this leads to ongoing efficiency savings or service transformation" and it is for this purpose that the Council is proposing to use £2m of Capital Receipts in 2016/17.

4. The Council's Draft Workforce Strategy recognises that people are key to the Council achieving improvement in its services and being representative of their communities. In order for the Council to deliver its Corporate Plan priorities, its Corporate Improvement Plan and its Medium Term Financial Strategy it is essential that the Council has the right people, with the right skills, right attitude, in the right place and at the right time to maintain and improve existing and future service outcomes.

5. The Council adopts a "whole organisation" strategy approach that optimises potential structural and operational efficiencies at a corporate level, whilst recognising that it is equally important to ensure quality workforce planning at a local level. And to also deliver organisational and workforce change around the specific service improvement areas identified by recent inspections and reports. This Strategy focuses on the workforce essentials of an "Effective Rotherham Council".

6. Key workforce activities are:

- Supporting achievement of budget savings targets for 2016/17 and later years through appropriate workforce interventions and the service reviews and health checks in the Fresh Start Improvement Plan; and
- Responding to staffing pressures and remodelling the workforce corporately but also particularly in Children's Services, Adult Social Care and Regeneration & Environment.

7. 2016/17 Revenue Budget

The above priorities have been recognised in the Council's 2016/17 Revenue Budget and Outline Medium Term Financial Strategy (MTFS). These include both revenue efficiency savings from the restructuring and reconfiguring of the Council's Services to meet both current and forecast levels of demand for services, and reshaping of services such as Early Help and Adult Social Care to provide a more targeted approach to the provision of services that is focussed on improved customer outcomes.

8. To support this significant and continued reconfiguration of the Council's Services to deliver improvement and efficiencies, the current savings proposals will see a downsizing of the Council's workforce by almost 600 full time equivalent posts (15%) by 2018/19. Additionally, budget proposals to fully address the funding gap for 2017-2019 are yet to be identified and agreed, but will inevitably further affect workforce numbers. It is therefore proposed that the first £2m of costs associated with staff leaving the Council in 2016/17 should be funded through the flexible use of Capital Receipts with any further costs up to £1m being met from the Revenue Budget which includes provision to fund these costs.

9. **Business Case for Voluntary Release -** when considering the business case for the release of employees on Voluntary Severance/Early Retirement, the Councils' approach is to ensure that the cost of the release of the employee concerned, including both redundancy and pension strain costs, should be recovered from salary savings within 3 years of the employee leaving. This reflects the term of the period covered by the Medium Term Financial Strategy. There is also a requirement that any release would also be subject to meeting 'business need' and thereby retain the right people with the right skills to deliver the required outcomes for customers.

10. **The Prudential Code**

The Council will have due regard to the requirements of the Prudential Code and the impact on its prudential indicators from implementing the proposed scheme within this Efficiency Strategy.

11. As transformation proposals develop and the cost of Voluntary Severance is determined, the expenditure to be incurred will be included in the Council's Capital Programme to be funded by capital receipts generated in the financial year. The capital expenditure prudential indicators will be amended and approved as appropriate. In line with Golden Rule 3 of the proposed Capital Strategy, the first call on capital receipts generated in the year will be utilised to meet the cost of voluntary severance. These receipts have not been earmarked as funding for any other proposed capital expenditure and therefore there is no anticipated additional impact on the Council's prudential indicators as set out in the Council's Treasury Management Strategy.

12. The Council will also have due regard to the Local Authority Accounting Code of Practice when determining and including the entries required from undertaking and funding this scheme within the 2016/17 Council's Statement of Accounts.

13. **Monitoring this Strategy**

This Strategy will be published in accordance with the draft guidance and will monitored throughout the financial year alongside our financial reporting arrangements. The Strategy may need to be updated and replaced as proposals are developed and expenditure is incurred. Also, as the Guidance is still in draft form, changes may require a revision of this Strategy.