

## APPENDIX H

### **LGA - TOP TIPS FROM THE LOCAL GOVERNMENT SECTOR ON PREPARING AND SUBMITTING AN EFFICIENCY PLAN**

This is the first in what we hope will be a series of 'Top Tips' notes published by CIPFA and the LGA to share good practice in financial management, prepared by the local government sector, for the sector.

These top tips were put together as a result of a workshop held at CIPFA Offices, Mansell Street, London on 8th June, 2016 attended by 30 local government delegates.

This is not guidance, but a synopsis of opinion from those present which we hope will be useful to councils in deciding what to submit.

We were supported on the day by DCLG which should ensure that these 'top tips' are not at odds with what Ministers are currently thinking, but DCLG has not approved these top tips and Ministers will not be bound by them, although we hope they will take them into account.

Similarly we know that not all authorities favour or support the Government's multi-year settlement offer. Some think it is too little, too late. These top tips are not a call from CIPFA and the LGA to take up the government offer - that is entirely a matter for local determination.

#### **Background:**

Local authorities have taken the biggest hit in terms of central government cuts since 2010. The scale of reduction, along with a degree of volatility around the phasing/ timing of these cuts to different authority types, can make it very difficult for authorities to plan their spending priorities strategically. For some there may even be a risk of balancing their budget<sup>1</sup> at all over the upcoming spending review period. The need for effective medium term planning has never been stronger.

1 Read CIPFA Insight 'balancing local authority budgets <http://www.cipfa.org/cipfa-thinks/insight>

#### **Efficiency Plans (4 year settlement guarantee):**

The government's response to these concerns from the sector has been an offer a guaranteed minimum grant envelope, paid to councils for a 4-year period from April 2016 covering Revenue Support Grant, transitional funding and Rural Services Delivery Grant. This, the Secretary of State said, should increase local authority certainty and confidence and would be a key step towards supporting councils to strengthen financial management and work collaboratively with local partners when considering the way local services are provided in future.

Councils should read these 'Top Tips' alongside the Secretary of State's letter to Council leaders dated 10th March 2016.

To take advantage of this offer each authority needs to submit an efficiency plan<sup>2</sup>. The Secretary of State has not issued guidance on what an efficiency plan should contain, a development that local government broadly welcomes. In discussion with DCLG officials, however, we agreed that we would glean some best practice 'top tips' from local government so that the sector, in effect, is advising itself.

2 The deadline for an efficiency plan submission to DCLG is 14th October, 2016

3 Letter from Mike Penning MP (Minister for Police, Fire, CJ & Victims) to all Fire Authority Chairs (24th May)

This note does not cover Fire and Rescue Authorities for which the Home Office<sup>3</sup> has issued their own more detailed guidance and expectations.

## **Top Tips**

### **What is an efficiency plan?**

Every council in the country is different. Each will have its own vision, policies, opportunities and challenges and each will be at a different stage in its journey to financial sustainability.

So no two efficiency plans are likely to focus on the same things; have common aims or include the same reports. Each council should therefore be judged on its own merits when reviewing their plans. How clear are their targets? What role partnership working is expected to take? Aspirations around any transformation programmes? How are councils planning to achieve their efficiencies? Is there clear ownership and accountability? And is there robustness around the management, monitoring and measurement of outcomes?

The way a council chooses to put this story together in their efficiency plan remains for them to decide, as is the supporting documents that they would choose to include.

## **Content**

☒ The cornerstone of the efficiency plan is probably the Medium Term Financial Plan (MTFP) or Strategy (MTFS) for the four years of the offer. Not just the numbers in a table but a short narrative that sets out what a council intends to do to address the challenge of financial sustainability and where it hopes to be at the end of the period. An efficiency plan needs to be about more than just money.

☒ Most practitioners favour a short 2 – 4 page narrative, with typical documents to support this narrative to include its latest budget, corporate plan, transformation plan, asset-management plan and baseline organisational structure.

☒ It follows that an efficiency plan needs to have clear links to the Council's corporate plan and where the authority is involved in key partnerships, such as shared management arrangements or progress towards a combined authority. It should acknowledge any links with partner organisations and plans that this entails.

☒ It also needs to reference ongoing and planned transformation projects and programmes where these are significant in ensuring the council reduces its costs or generates additional income locally.

☐ However, an efficiency plan need not be any more than an 'abridged version' of key/ existing public documents already put together by a council. Most councils should not find themselves doing a major piece of extra work to deliver an efficiency plan.

☐ Councils could consider presenting the efficiency plan by theme, for example, what it is doing to grow its local economy, to bear down on costs, to manage current and future demand or to re-forge its 'contract' with local residents.

### **Who Owns the Plan?**

☐ The efficiency plan provides an opportunity for a council to consider and evaluate the key components of a good service and financial strategy and serve as a prompt to start doing things which in themselves will aid the planning and performance of the council. But councils should focus on what works for them and their communities not simply on what might be acceptable to Ministers.

☐ The Efficiency Plan needs political buy-in, which in most cases will have been achieved by the fact that it is composed to reflect existing policies and largely from existing documentation. It will be a matter for councils to decide what process needs to be gone through to achieve approval.

☐ It is likely to be helpful if the efficiency plan is submitted jointly by the Chief Executive and council leader setting out the organisation's plans over the next four years; its commitment towards delivering these plans and a clear narrative on what reports and supporting documents have been included in the plan, and why.

☐ A sign off from the Chief Finance Officer could be incorporated if it is felt necessary to back up the plan with an implicit statement that it is likely to achieve and sustain a balanced budget position.

### **Risks to delivery**

☐ It should be acceptable for efficiency plans to point out that circumstances and policies can change, especially where there are local elections during the period of the plan, and for plans to include broad forecasts in later years where decisions have yet to be taken.

☐ Where an authority has undertaken any financial management modelling and a risk assessment around its delivery, this could also be submitted to evidence monitoring arrangements and mitigation plans.

☒ Should the council's current MTFS be shorter than the 4-year settlement period, the efficiency plan should be considered as an opportunity to extend it, to link service delivery with the Council's funding expectations. This may prove especially key for those authorities at most risk of an unbalanced budget throughout this period, although a decision and discretion to do this, should remain with the council.

☒ Some major funding streams are not covered by the multi-year offer while costs remain subject to unpredictable pressures. The Efficiency Plan therefore needs to allow for risk and provide for sufficient reserves and contingencies to allow those risks to be managed.

☒ The council should therefore consider submitting a statement about its current level of reserves and how they are expected to move over the period of the plan along with the internal policies around which these reserves are currently operating.

☒ All documents submitted will typically outline ownership and governance arrangements assigned to each, especially where a service is delivered in partnership with another organisation or is co-opted as part of a combined authority.

☒ Any other internal report or policy statement should be included, where an authority believes it supports and underpins the 2-4 page efficiency narrative signed off by the council.

#### **The Efficiency Plan itself – What it is not:**

☒ It should not simply be a stand-alone MTFS submission to DCLG but requires other documents and further reading to fully understand a council's current plans and aspirations

☒ It should not be a plan that requires additional reports or documents (not currently available to a council) to be compiled – although it might prove a useful checklist to an authority on what it perhaps should be doing but is not.

☒ It should not be a defined list of documents that every council in the country is simply asked to submit.

**CIPFA / Local Government Association**

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