



Efficiency Strategy

2016/17 – 2019/20

Introduction

1. As part of the Local Government Finance Settlement in February 2016, the Government confirmed its offer of a 4-Year Funding Settlement for Councils who are prepared to demonstrate their commitment to financial stewardship in an Efficiency Strategy. This document fulfils the requirement for accepting this deal.
2. A 4-Year Funding Settlement will provide relative certainty with regard to the Council's levels of Revenue Support Grant over this period and will assist in financial planning.
3. This Efficiency Strategy also demonstrates the Council's commitment to transparency in the way it manages its finances.
4. The Medium Term Financial Plan (MTFP) for 2016 – 2020 was approved by Council on the 29 June 2016 following four months of extensive public and partner consultation, and forms the basis for this strategy which will be reviewed annually as part of the Medium Term Financial Strategy. This document is available for public scrutiny on the Council's website.



Signed:

Leader of the Council



Signed:

Chief Executive

About Darlington

5. Darlington is regarded as the 'gateway' to the Tees Valley, with a population of over 105,000 people and a wider reach for its retail and leisure facilities of some 700,000. It has a history of innovation and growth helping to shape the modern world with the birth of the railways, and continues its innovation with significant strengths in sub-sea engineering, bio-medicine and digital technologies.
6. On almost all indices Darlington's economy has outperformed regional and national growth trends. Darlington businesses value to the national economy due to the production of products and services has grown by 8.9% between 2013 and 2014. This is the fifth highest percentage growth nationally of 228 areas; the top 4 are all London boroughs.
7. Trends show an improving picture regarding the skills and productivity of Darlington's residents with an increase in GVA per annum (+11.7%) & per head (+5.8%) , a rise in the employment rate (+4.2%) and an upsurge in the number of residents educated to degree level or equivalent (+4%). Since the economic strategy was developed the average weekly earnings of Darlington employees grew by 12.6% to £517.20 pp/pw much higher than the national growth for the same period of just 4.1%.
8. Notwithstanding this, in common with the wider NE, there is significant fragility within the economy with the low new business stock per head, the type and nature of our businesses and the market failure that exists in the commercial property market. Rental levels in industrial and the retail sector remain in the lower quartile nationally with little or no speculative development. Housing developments often require public intervention and viability challenges existing areas on greenfield sites.
9. Darlington also faces a number of challenges and is in the 30% most deprived local authority areas in England, ranked 97th most deprived out of 326 in the Index of Multiple Deprivation 2015. Unemployment is higher than the national average and almost a quarter of those who are employed in low skilled low paid jobs, significantly higher than the regional and national average for this measure. Unsurprisingly it is estimated that 25.5% of the Darlington population were over-indebt, in the top fifth of local authority areas for the metric.
10. The health of people in Darlington is lower than average compared with the rest of England. This seen in inequalities in key outcomes such as life expectancy or the experience of disease such as heart disease or cancer. These inequalities are largely related to deprivation in the borough with those in most deprived areas being more likely to experience the most inequality in their experience of health and illness and outcomes.
11. The Council is seeing an ever-growing demand for its services, most notably for social care for both children and adults which is by far the largest area of spend for the Council at over 60% of the budget. This position is likely to worsen as by 2018 20.45% of Darlington's population is predicted to be made up of residents over 65 compared with a national average of 18.45%, this is an increase in the proportion of older people in the borough of 20% in ten years which will have implications for service demand and consequently the Council's finances.

Priorities

12. The foundation of the Council's corporate planning process is the delivery of priorities within the Sustainable Community Strategy (SCS), One Darlington: Perfectly Placed; and the three conditions necessary to bring about delivery of the vision. The SCS is delivered via a series of underpinning strategies, delivery plans and ultimately individual performance development reviews;
- **One Darlington** embraces our approach to people and specifically the need to make sure that people are not disadvantaged by their income, where they live or by any other potential disadvantage that could cause them to miss out on opportunities that will be created by realising the vision.
 - **Perfectly Placed** describes the strengths and assets of Darlington as a place and helps us shape our investment decisions, spatial planning and care for the environment.
13. The three conditions required to bring about change are
- **Building Strong communities**, enabling people to live fulfilling lives with less involvement from public services, looking at our communities to take responsibility for their own friends and families.
 - **Every public pound well spent** - maximising the value from all public expenditure in the borough; working together with other public bodies along with other partners to be as efficient as possible.
 - **Growing the Economy**; generating income streams, employment and opportunities
14. These priorities and conditions have directed the way in which the financial challenges have been met.

Challenges and the MTFP

15. Each year, the Council produces a detailed Medium-Term Financial Plan (MTFP) covering a four year period. This document is at the heart of the Council's commitment to ensuring financial sustainability and the best possible level of services for residents through efficiency and managing the budget effectively. It includes a thorough analysis of the Council's budgetary position, projections for future years and outlines the proposals to meeting the financial challenges it faces to secure a balanced budget over the period.
16. Between the financial years 2010/11 to 2015/16 the Council faced unprecedented financial challenges and to 2016 saw an overall real terms decrease in government funding of £37.3m (47%) This resulted in the Council agreeing reductions to planned expenditure of £35.4m the majority of which have been achieved without reductions in service levels.
17. As previously noted these efficiencies were achieved by focusing on the Council's priorities within the SCS, and the three conditions the council considered necessary to bring about

the delivery of the vision.

18. The 2016/17 – 2019/20 MTFP development presented a greater challenge with uncertainty that the Council would have sufficient resources to meet our statutory functions. Consequently a two stage approach was taken in the need to reduce expenditure by a further £12m per annum. Firstly to agree the budget for 2016/17 and secondly to address how the funding gap should be achieved over the medium term. The two stage approach was taken to ensure the implications of the settlement were understood and that full consultation and consideration was given to the proposals given the magnitude of the task.

Medium Term Financial Plan 2016/17 – 2019/20 – how we have balanced the budget

19. The Council has a balanced budget to 2019/20, achieved following a significant exercise to re-define what the council could afford to provide for the borough and people of Darlington within the resources available. All functions were robustly challenged and benchmarked to ensure efficiency and effectiveness in service delivery, then categorising into statutory, discretionary and those which have a proven business case. The Councils 'core offer' is the statutory minimum services which cover the legal duties and obligations plus those with an agreed business case. The Plan therefore makes substantive cuts to services to bring these down to what we believe to be the lowest reasonable spend to comply with our legal duties.
20. The exercise identified the council could just afford the core offer and whilst this balanced the books it was obviously not a desired position with no funding available for valued discretionary services. Therefore the Council is proactively using reserves over the period of the MTFP to even out the grant reductions and create an investment fund named the futures fund to add back non statutory services which the public value
21. The £2.5m per annum for the futures fund was allocated following detailed consideration of the needs of the borough's residents and the views expressed in consultation which were then matched with the priorities of One Darlington Perfectly Placed.

22. MTFP savings proposals and use of reserves for the period of this Efficiency Strategy are as follows:

	2016/17 £000	2017/18 £000	2018/19 £000	2019/20 £000
Budget Gap	6.470	10.447	12.126	12.772
Savings proposed	(3.123)	(7.923)	(9.217)	(10.010)
Use of reserves	(3.347)	(2.524)	(2.909)	(2.762)
Revised Budget Position	0	0	0	0

Partnership Working and Transformation

23. The Council continuously reviews the services it provides and will explore shared services and traded service arrangements wherever this may benefit the area. There are a number of existing and planned partnership arrangements in place which will help the Council to create savings, promote economic growth and deliver more effective services. These include:-

- Xentrall partnership with Stockton Borough Council, a shared service which provides all transactional Finance and HR functions along with ICT, design and print.
- Tees Valley shared services including the Traffic Signal Service, Emergency Social Work Duty Team and accommodation frameworks, Tees Valley Connect securing public transport functions.
- Shared services with Durham County Council in regard to community safety, emergency planning and response.
- Providing Legal Services for Richmondshire District Council. Regional and sub-regional collaborations on procurement of goods and services.
- Traded services, including highways work for other public bodies, academy contracts, school meal and cleaning services, building maintenance.

24. One of the most recent partnerships to be established is the Tees Valley Combined Authority which continues a long standing successful economic partnership Darlington has had for 12 years which will lead to stronger focus and devolution on economic growth across the Tees Valley that we expect to benefit from as the Tees Valley.

25. **Transformation** - Whilst Darlington has a planned balanced budget there is significant work ongoing to transform service provision to improve services for the future. Darlington's

change programme was reorganised around the three conditions articulated in the SCS and delivery of the programme is monitored through the Performance Management Framework (PMF) and performance clinics. The PMF is currently being refreshed to incorporate the transformation programmes identified in the MTFP and includes for instance;

- Continued work to reduce demand in social care, partly through the work on the Better Care Fund, the use of technology, and the development of stronger community alternatives and support.
- An innovative approach to library provision with the move of the town's main library to the local leisure centre with modern facilities and the aim of making the library more attractive to the boroughs children.
- Continuing with our approach to prudentially borrow to drive and facilitate growth for example creating a government hub by building an adjoining building for the Department of Education, keeping over 300 jobs in the town centre and financing a multi storey car park to facilitate a leisure development including a cinema, hotel and numerous catering outlets.
- Levering in significant external funding for improvements for example from the Heritage Lottery fund, Arts Council England for our Civic Theatre restoration.

26. Darlington Borough Council is committed to doing things in new and innovative ways in order to deliver services in a sustainable way. However, in such a challenging and uncertain environment, the Council has had to take some tough decisions in regard to the sustainability of service levels and will need to continue to develop new strategies and ways of working in order to safeguard the services that Darlington residents value the most.

Performance Management

27. It is important that the Council reviews its performance in order to ensure continuous improvement. The Council PMF is based on a suite of performance indicators with targets and actions relevant to the locally determined outcomes described in the SCS.

28. The PMF aligns to the SCS and monitors delivery across four tiers of performance management information as follows:-

- Tier 1 data – Strategic Indicators on the economic and social wellbeing of the borough
- Tier 2 data – Service Delivery Indicators and targets
- Tier 3 data – Corporate Health indicators and targets
- Tier 4 data – Change programme Indicators.

29. Quarterly performance clinics are held with the Chief Executive and Performance indicators are reported regularly to senior officers and to Members as appropriate, including the Council's proactive Scrutiny Committees.

Risk Management & Governance

30. The Council's risks are incorporated and managed through the service planning and performance management framework. The identification of risks is derived from a 'top down' (corporate) and a 'bottom up' (group) process of risk assessment and analysis resulting in coverage of the whole Council. The risks are managed through the development of appropriate action plans, allocated to responsible officers.
31. The risk register is reviewed by the Chief Officers Executive on a quarterly basis as a group and individually at quarterly services specific performance clinics where they decide on mitigating actions to take.
32. The Risk Register is also reported to Audit Committee on a six monthly basis to allow for thorough scrutiny by Members.
33. The Council is committed to a robust system of governance which is demonstrated in the Council's Annual Governance Statement.

Flexible Capital Receipts Policy

34. As part of the 2015 Spending Review, the Government introduced flexibility on the use of capital receipts allowing local authorities to spend up to 100% of their fixed asset receipts (excluding Right to Buy receipts) on the revenue costs of reform projects for the period from April 2016 until March 2019.
35. It is not currently proposed that the Council utilises this flexibility, however, should the position change in the future this Strategy document will be reviewed and details of qualifying projects included in a report to Full Council and due regard will be given to the impact on the Council's Prudential Indicators.

Review

36. This Strategy will be reviewed annually and submitted to Full Council for approval as part of the Medium Term Financial Strategy process.

Key Documents

37. The following documents support the Council's commitment to working efficiently:
 - [Sustainable Community Strategy](#)
 - [Medium Term Financial Strategy 2016/17 phase 1 incorporating the Capital Programme](#)
 - [Medium-Term Financial Strategy phase 2 2016/17 – 2019/20](#)
 - [Annual Governance Statement 2015/16](#)
 - [Statement of Accounts 2015/16](#)