

London Borough of Sutton Efficiency Plan 2016/17 to 2019/20

1. Introduction

- 1.1. This Efficiency Plan sets out the London Borough of Sutton's approach to addressing the financial challenges over the period 2016/17 to 2019/20 while optimising the outcomes for Sutton residents in the light of the Council's priorities. The plan has been prepared to meet the government's conditions for acceptance of the four year funding offer included in the Local Government Finance Settlement 2016/17. It draws on information previously published by the Council in reports to the Strategy and Resources Committee and elsewhere.
- 1.2. Over the period from 2010/11 to 2015/16 the Council faced unprecedented reductions in funding and continuing cost pressures including from Adult Social Care and Children's Safeguarding. In order to agree a balanced budget each year, as the Council is legally required to do, cost reductions of £43m have been made in the annual budget over the period. Where possible these savings have been made with minimal impact on services provided to residents or by finding new ways to achieve the same outcomes. However, particularly later in the period, it has sometimes been necessary to reduce services or make other changes. Residents have been involved in the process of identifying and delivering options for savings through a comprehensive consultation and engagement programme, launched in 2014, called '[Sutton's Future](#)', information about which can be found on the Council's website.
- 1.3. Some of the key approaches which have enabled delivery of the savings so far are:
 - Commissioning - service design has been based on a comprehensive understanding of customer needs and the desired outcomes. Where possible services have been commissioned based on outcomes and a range of delivery models have been used depending on the maturity of the market for that service, informed by a Council-wide [Market Development Strategy](#).
 - Shared Services - efficiencies have been achieved by sharing services with neighbouring boroughs including traditional back office services such as legal services, HR, and ICT, but also some key frontline services such as highways and regulatory services.
 - Income generation - where appropriate service users have been asked to meet a higher proportion of the costs of a service, or, in some cases the full cost (for example the green garden waste collection service).

- Making better use of assets - for example using waste collection vehicles more intensively by adopting a double shifting system. Also rationalising and disposing of land and buildings.
 - Investment Property Portfolio - members agreed a more proactive commercial property strategy for the Council and are investing in commercial deals that meet minimum return thresholds.
- 1.4. It is intended that over the period to 2019/20 these approaches will continue, reinforced by a renewed focus on working with partners to deliver agreed outcomes for Sutton, taking a place-based approach to public service commissioning and delivery through our development of a new 'Sutton Plan'. There will also be an investment in service transformation including supporting 'digital transformation' across the Council and specific programmes to transform children's services and adult social care to reduce costs whilst still achieving good outcomes for the most vulnerable.

2. The Funding Challenge

- 2.1. Full Council agreed the [Council's budget for 2016/17](#) on 7 March 2016. The budget included delivering £9.6m of savings during 2016/17 comprising £3.6m of savings agreed in previous years and £6.0m of new proposals. Council also agreed £5.4m of savings to be delivered in 2017/18 and 2018/19. Based on the assumptions set out in the report to Strategy and Resources Committee on 8 February 2016 there was a potential funding gap by 2018/19 of £13.8m, to be met from savings to be identified.
- 2.2. The position reported to Council in March included a planned use of general reserves in 2016/17 to 2018/19. Since 2011 the Council had been operating a policy of increasing reserves where possible to reflect the increased risk arising from the general reductions in funding, uncertainties around business rate retention receipts (particularly due to the impact of appeals) and the limited scope for council tax increases. In view of the further significant funding reductions and the expectation that delivery of the required savings would become increasingly challenging it was agreed to use £5.3m of reserves over the three years (£1.3m, £2m, £2m) to support the revenue budget. The use of £2m of reserves in 2018/19, which cannot be sustained indefinitely, implies that the underlying funding gap in that year will be £2m higher than the headline figure of £13.8m and is therefore estimated at £15.8m.
- 2.3. Council also agreed that the additional transitional grant funding announced on 8 February 2016 should be held in an earmarked reserve to be used to

support transformation work to identify and implement savings proposals and to manage timing risks to delivery. Sutton's allocation is £1.343m in 2016/17 and a further £1.333m in 2017/18. This is in line with the government's intention that the transitional grant should be used to help to manage the changes needed to address the significant funding reductions in the medium term.

- 2.4. In [July 2016 an update](#) was provided to Strategy and Resources Committee. This rolled forward the projections to 2019/20. The projections are based on broadly unchanged assumptions except that the base position now assumes that the 2% social care precept is utilised every year (but no other council tax increases are assumed). This resulted in a revised funding gap of £17.3m by 2019/20 as shown below.

Projected Funding Gaps 2017/18 to 2019/20				
	2017/18 over 2016/17 £m	2018/19 over 2017/18 £m	2019/20 over 2018/19 £m	Total £m
Reported March 2016	6.9	6.9	0	13.8
Changes:				
Roll forward budget to 2019/20	0	0	8.8	8.8
Council Tax Increase (2% social care precept)	(1.7)	(1.8)	(1.8)	(5.3)
Revised funding gap	5.2	5.1	7.0	17.3

- 2.5. Savings targets were agreed for each Directorate to close this gap over the period.

3. Responding to the Challenge

- 3.1. The Council has recognised that the financial challenge requires us to find innovative and flexible ways of delivering outcomes for residents within the Council's reducing financial envelope. We have taken a three-pronged approach to our response to the challenge and the future needs of the borough:

- **Developing the Sutton Plan** through an open and focused conversation about Sutton's future with partners and residents so that resources across the public, private and voluntary sectors can be harnessed and directed towards shared priorities, as described above.

- **Developing the Commissioning Council**, with a four year Commissioning Plan adopted alongside the four year Medium Term Financial Strategy in July 2016, which sets out all our commissioning activities for this planning period; this will be revised in the light of the emerging Sutton Plan to ensure we are truly commissioning for outcomes.
- **Developing the Smarter Council programme**, our internal change and transformation programme, which is set out in more detail below.

4. The Sutton Plan

- 4.1. The current [Corporate Plan](#), adopted in 2014/15, sets out seven priorities grouped under four themes (Open, Green, Fair, Smart). Each priority has a number of actions to be achieved by 2018/19. This is supported by a Strategic Commissioning Plan, updated annually, which shows the commissioning activities which are intended to deliver the various corporate priorities.
- 4.2. The Council has committed itself to working with public service partners in Sutton to create and deliver a joint vision and plan for the borough's future, with a working title of 'The Sutton Plan'. Based, in part, on a detailed analysis of the 'Sutton Pound' (i.e. a comprehensive assessment of all public spending within the borough) it is hoped that the Plan will provide the basis for a unitary, outcomes-based model of service delivery across all key services. We believe it has the potential to radically change the way in which the Council works with its partners and see it as our primary mechanism for moving towards commissioning and delivering better outcomes for residents through fully integrated, more effective and efficient public services.
- 4.3. Our aspirations for this work are:
 - a place-based vision should help us reform and provide more coherent public services that better fit the lives and aspirations of our residents;
 - a Sutton-wide plan should help the Council and its partners to better meet the challenges presented by ongoing financial austerity and devolution, and;
 - the aspiration of single-pot commissioning should put the Council at the cutting edge of local government policy debate in England.
- 4.4. Although the Sutton Plan work is at a relatively early stage, already we have made some tangible steps towards integrated, place and evidence-based commissioning with our partners:
 - A summit with public, private and voluntary sector leaders to secure commitment

- Focused data analysis of public service spend, outputs and outcomes to build an evidence base for more integration and collaboration
- A data 'hack day' to identify opportunities and overcome barriers to more data and information sharing
- Commitment to three early collaboration areas, around targeted early help for parents, better healthcare for vulnerable elderly, and identifying more sites for affordable housing
- A further leaders' summit to review progress and begin to develop shared priorities for the borough's future
- (in October) An open event for partners and community representatives, 'Exploring Sutton's Future', to present the early findings from all of the above and launch a wider consultation on shared priorities for the borough's future.

5. The South London Partnership

5.1. Although our Sutton Plan work is focused on working with those partners active in our borough, we are very aware of being part of a wider sub-region and indeed region as part of London. The South London Partnership is a sub-regional collaboration of five London boroughs: Croydon, Kingston upon Thames, Merton, Richmond upon Thames and Sutton. Long-standing joint working between the boroughs was strengthened in 2015 with a refreshed political commitment, focused on the triple goals of:

- shaping sustainable growth
- securing devolution to unlock opportunities
- driving efficiency

5.2. The SLP's priorities for 2016/17 include:

- establishing a compelling growth proposition and securing deals with a new London Mayor and government, as well as strong partnerships with local and neighbouring partners, to help us unlock sustainable growth
- helping to improve residents' skills through joint working with our further education colleges, using the Area Based Review and the opportunities for skills devolution in London
- developing the devolution of employment support in London, working with other sub-regions, London Councils and the GLA
- establishing a new sub-regional collaboration with the NHS to improve health and care outcomes and address the financial sustainability and quality of services.

6. The Smarter Council

6.1. The Council's strategic approach to identifying and delivering savings through service transformation rather than simple salami-slicing is the Smarter Council programme. This is well-embedded as an approach in Sutton and currently consists of a number of projects as shown below:

- Single Directorate Projects
 - Environment, Housing & Regeneration - Area Renewal, London Cancer Hub, Tramlink, Decentralised Energy Network, Housing Support Services, Town Centre Masterplan.
 - People - Adults Transformation, Childrens Transformation, Sutton Education Service Spin Out, Youth & Adolescent Services Review.
- Cross Council Projects
 - Digital Programme, Smaller/Bigger/Different (Organisational Development Strategy)
- Partnership Projects
 - Better Care Fund, Shared Service Vehicle, Better Contacts, Social Prescribing
- Commissioning Projects
 - Shared Services (Planning, Revenues & Benefits, Finance, Customer Contact, HR), South London Waste Partnership

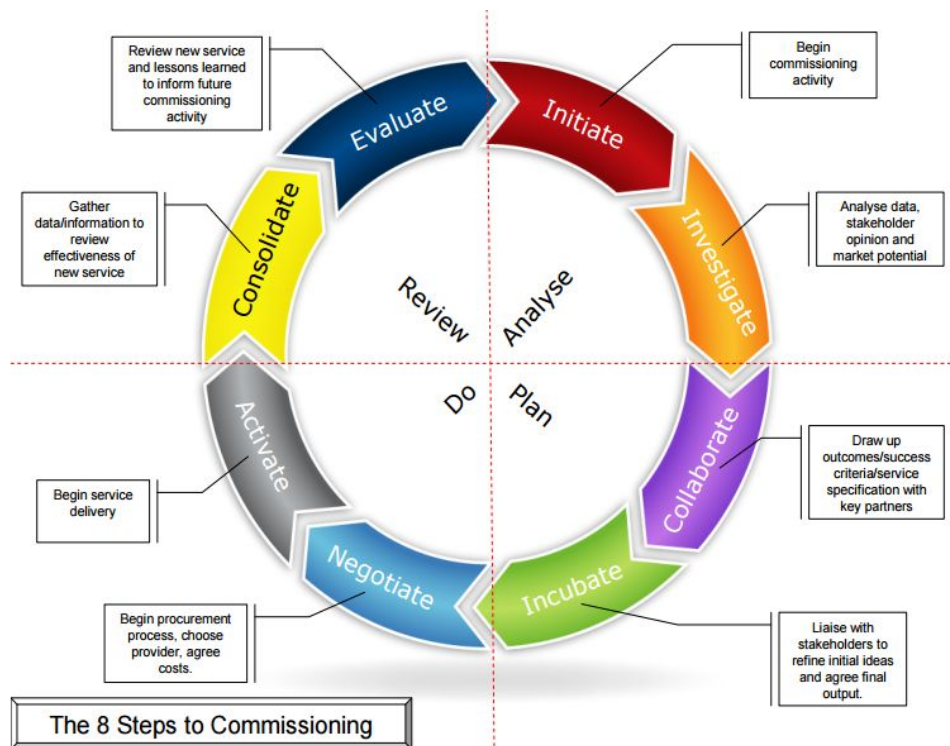
6.2. As can be seen from the Programme overview, the Smarter Council programme recognises that our future transformation depends on more than internal efficiencies and service redesign. It requires an active focus on delivering economic growth to grow our local funding base and maintaining and growing our infrastructure through capital investment to meet current and future needs. This set of projects link closely to our South London Partnership work.

6.3. It also involves changing the way we work with partners, both within the borough across public services (health integration and social care transformation, all of which link back to the development of the Sutton Plan) and with neighbouring boroughs through our major Shared Services programme. The latter has been supported by around £4.8m funding through the government's Transformation Challenge Award, shared across our South London Partnership partners.

6.4. The Council recognises the need to transform services in order to deliver savings while optimising outcomes for residents in line with agreed priorities. Resources have been made available to fund the work needed to design and implement transformational change across a range of services. Examples of this within the Smarter Council Programme include:

- Digital Programme - a capital investment of £4.8m over the period from 2016/17 to 2019/20, including £1.2m financed by prudential borrowing funded by direct revenue savings. The purpose of this investment is to provide improved ICT infrastructure which facilitates service redesign resulting in improved customer experience and administrative efficiency.
- Children's Transformation - a programme of activity to help reduce and manage demand, improve commissioning and ensure better social work practice. This will also focus on shifting our investment from crisis to early intervention and prevention.
- Adult Social Care Transformation - the Council has commissioned a review of adult social care to identify opportunities for service transformation that will deliver cost reductions while maintaining outcomes for vulnerable residents.
- Joint procurement - through the South London Waste Partnership four London Boroughs have agreed a joint contract for waste disposal which will be through a new energy recovery facility in Sutton and will save approximately £9m a year revenue costs across the boroughs; a new waste collection and street cleansing contract has also been awarded, which will save a further similar sum.

6.5. Finally, the continuing evolution of our role as a Commissioning Council will underpin all of the above actions to ensure we take a robust approach to all service reviews, achieve value for money in all areas of expenditure and truly understand the needs we are seeking to meet and the outcomes we are seeking to deliver through our commissioning activity. The [Four Year Commissioning Plan](#) sets out how all services will go through our Commissioning Cycle (see diagram below) over the period.



- 6.6. We have analysed all commissioning reviews according to the outcomes in the Corporate Plan that they are focused on delivering, and as part of the process of building the 2017-18 budget, for the first time we have also analysed savings and remaining budgets by these outcomes. Members can therefore be fully aware of the impact that commissioning activities and planned savings are likely to have and on which outcomes, and make decisions on resource allocation in a fully informed way.
- 6.7. The other distinctive element of our approach to being a Commissioning Council is our active involvement of residents in all stages of the commissioning cycle above. We have invested in a group of Citizen Commissioners, supported by our local Volunteer Centre, who are available to take part in a range of commissioning activities, including needs analysis, soft market testing, commenting on tenders and performance monitoring. We have gone well beyond traditional methods of resident consultation, using the Citizen Commissioners, for example, in co-designing a recently successful major bid to the Heritage Lottery Fund to secure investment of £3m in one of our parks. HLF commented that it was the role of the Citizen Commissioners which played a significant part in the success of this bid.
- 6.8. The next stage in our progress towards Commissioning 2.1 is to ensure we are actively commissioning for outcomes and to develop a shared commitment to those outcomes with partners so that we can be

co-commissioning, using shared or aligned budgets, for the same outcomes. This is the premise behind the Sutton Plan work, with the aim of achieving reduced duplication, better outcomes and greater efficiency in our collective use of the 'Sutton Pound'.

7. Key Risks

7.1. The key financial risks faced by the Council over the period to 2019/20 are as follows:

- revenue funding - the offer of a four year funding settlement is helpful and will assist forward planning. However, there remain significant uncertainties as there are funding streams which may fall outside the settlement and the implementation of further 'business rate devolution' will have effects which cannot yet be accurately quantified;
- identification and delivery of required savings - the identification and delivery of savings to meet existing targets and projected future requirements remains challenging. Directorates are working to identify savings options to meet medium term savings requirements, but on current assumptions there are significant further savings yet to be identified every year after 2016/17. There is also a risk of slippage against delivery timescales for savings already identified;
- adult social care – in addition to continuing demographic pressures, there are significant projected additional costs for the Council arising from the implementation of the Care Act. There are also risks around the integration of health and social care where the Council is sharing some financial risks with the CCG as part of a pooled budget. The government has recognised the need for additional funding for social care and this is being delivered through the 'social care precept' and the enhanced Better Care Fund. However, this is insufficient to address the projected cost pressures;
- children's social care – numbers of looked after children in placements have begun to reduce in 2016/17 following several years of increases. However, numbers remain volatile and projected costs still exceed the 2016/17 budget due to the high needs of some children and a shortage of foster carers. On staffing, recruitment of permanent social workers remains a problems with vacancies being covered by agency staff at higher cost;
- housing - impacts through migration on homelessness, market rent pressures, government policy initiatives on reducing social rented provision and funding for right to buys in the housing association sector

are all potential risks in forward planning within the Council's housing functions;

- capital receipts - the funding arrangements for the capital programme include a significant contribution from the proceeds of asset sales. The market for property assets remains uncertain and it may not be possible to achieve the expected sale proceeds within the planned disposal timetables, thereby reducing the resources available for investment in the capital programme.

8. Conclusion

- 8.1. The Council's medium term financial position remains challenging, but this plan sets out a credible and deliverable response based on close working with partners within Sutton and across South London, continuing focus on implementing our approach to commissioning and delivery of further transformational change through the Smarter Council programme. Adequate resources have been allocated to enable delivery of these initiatives, including a planned use of reserves. Reserves remain sufficient to be able to manage the financial risks faced over the period.