Worcestershire County Council

2020 Vision Concept Paper - Self-Sufficient Council

Theme and Overview: Self-Sufficient Council

Support Requirements	In addition to internal resources, the workstreams will require the following support: Workstream 1 – Self Sufficiency by 2019/20 Estimated one-off at £50k for development of existing processes or the investment required to link existing databases across the Worcestershire Public Sector to identify fraud and error. In addition, recurrent support of £0.1 million estimated from further development of local (District Council) Council Tax Support schemes. This will be worked up by Treasurers across Worcestershire during the early part of 2016. Workstream 2 - Optimising sales, fees and charges No further support required at this stage Workstream 3 Establishing a revolving door fund Estimated one-off start-up costs of for expertise scoped at £0.25 million around developing the structures and scope of the fund as well as developing our Business Finance offer. The revolving door is due to be implemented for 2017/18 and therefore investment will be considered in 2016. Workstream 4 - Maximising value of estate One-off support from external consultancy with expertise in development and strategic asset management of £0.85 million. Funding for this has already been approved from the Council's Transformation Fund and work is underway Further work required on development of an 'Integrated Housing Model' should CSP support the concept, including any additional resource required. The plan for potential implementation is for 2017 and therefore any investment will be clarified in 2016.

Vision: By 2020 we will have increased the Council's ability to be self-sufficient, **moving further away from reliance on Central Government funding.** Self-sufficiency may not be about being free from Central Government Grant, but to be more in control of our funding and influence in a greater way those monies that continue to be received through Central Government Grant. This will include a range of outcomes, from optimising the Council's ability to generate revenue and utilising income streams to establish a revolving door capital investment fund that releases the burden on the revenue account to fund new Capital expenditure. The self-sufficient Council will build upon the commissioning cycle and complement the work delivered to date and will seek to optimise co-operation with partners to achieve improved outcomes on services and maximise our ability to support growth in the local economy.

We will target all significant areas of income, confirming full cost recovery where we are working for others, and will ensure all our citizens and businesses contribute fairly to the valuable services they receive.

Whilst continuing to influence Central Government's financial policy for supporting local authorities through lobbying, consultation responses and promoting joint working and transformational successes, we will take greater control of how we can influence economic growth and create innovative business models through use of our assets or the strength of our balance sheet to pump prime change in sectors or projects needing stimulus. We will do this by:-

- Optimising Self Sufficiency by 2019/20 through influencing Central Government on Business Rates, Business Rates Pooling and Council Tax Banding and developing through local partnerships ways in which all income that is due through these streams is collected by local partners;
- Optimising sales, fees and charges on our statutory and discretionary service from those services where income, or the control of income is retained by the Council following the commissioning process;
- Establishing a revolving door fund to support capital investment delivering economic development opportunities as well as supporting the Council’s revenue budget through growing our offer of loan finance to local businesses where there is a gap in the lending market;
- Following the successful delivery of the Better Use of Property Programme, optimising the value derived from the Estate (including all Land, Buildings and Equipment with a net book value of £809 million as at 31/3/15), considering how the Council's balance sheet can be best leveraged to deliver service outcomes in addition to the more traditional approach of realising value through asset sales
- Aligning the County Council's average capital asset life with internal and external capital financing to ensure the financing transactions reflect our actual consumption of assets

The four work-streams will need to be developed at different speeds. There will be a mix of early or quick wins where transformation and early savings may be generated. Following those early wins will be a programme of work, largely focused on 2017/18 to 2018/19 where embedded long term change will challenge how self-sufficient the Council can be by 2019/20.

How will we judge success?

Further work will be undertaken in this area to make these outcomes specific and measurable. The emerging outcomes at this stage are drafted as:

- Increasing the ability of the County Council to optimise Council Tax income above that currently forecast across the Medium Term Financial Plan;
- Increasing the ability of the County Council to optimise Business Rate income from local growth in Business Rates and retained levies through the Worcestershire Business Rates Pool across the Medium Term Financial Plan (MTFP);
- Understanding the starting position and then the County Council's ability to optimise miscellaneous income in 2017/18 and 2018/19 following the commissioning process that will identify those services that may remain in-house for the short or medium term;
- Following the successful delivery of the Better use of Property Programme, assessing the extent of the County Council's balance sheet that can be used to deliver better service outcomes through retaining those assets and generate increased revenue for the County Council to support services. This will ensure

that the County Council derives the most benefit from the assets that we hold, not just the assets that we sell;

- More local businesses supported to grow locally;
- The capital programme will be self-financing by 2020 and that there will be no new borrowing to support new investment with a revenue account impact. Instead, any new investment, not funded by 3rd parties, grants or asset sales will be supported by borrowing that in turn is financed by revenue generated off existing programmes of capital works.

What additional savings/income is targeted and when is this expected to be delivered?

Workstream / Project		Year					Indicative Total
Ref	Description	2015/16	2016/17	2017/18	2018/19	2019/20	
1a	Optimise Council Tax	-	2.150	2.250	1.950	2.100	8.450
1b	Business Rates	-	-1.331	0.250	-	-	-1.081
2	Sales, Fees & Charges	-	0.050	-	-	-	0.050
3	Revolving Door	-	-	-	0.500	-	0.500
4	Estate / Balance Sheet	-	1.650	-	0.200	0.400	2.250
4	Commercial Income – West Mercia Energy	-	0.100	0.050	0.050	-	0.200
	Total	**0**	**2.619**	**2.550**	**2.700**	**2.500**	**10.369**

What will be key work streams that will enable the delivery of this theme and who will lead their ongoing development?

Progress so far:-

A cross Council team has been established to deliver this theme under the leadership of Sean Pearce, Chief Financial Officer working with John Hobbs, Director of Business, Environment and Community. The Core Team is:

- Sean Pearce
- John Hobbs
- Nigel Hudson
- Peter Bishop
- Sue Alexander
- Mark Sanders

This programme concept has been developed and for each workstream an action plan has been produced. The intention is for each workstream to be aligned to each other over the 2016-2020 periods to determine the priority for development of each workstream, the interdependencies, more detailed resource requirements and establishing a risk/issues register. The 'Big Four' management consultancies have all been contacted to seek support in developing and potentially delivering work-streams. Meetings have been held with KPMG, Deloitte and PwC. In each case, there has been a good mix of professional services support as well as a cohort of previous high profile Chief Executives who have sense checked the plans in this theme and provided constructive support and advice. All are keenly feeding back ideas, contacts and previous work. Visits to known areas of good practice were undertaken during 2015 which included

1) Coventry City Council (Investment Fund)
2) Essex County Council (Council Tax, Business Rates and utilising the estate)
3) Warwickshire County Council (Investment Fund)
4) Cheshire East Council (Securing Business Rates)
5) Cambridgeshire County Council (Securing Business Rates)
6) Chelmsford City Council (Economic Development Investment and Council Tax Support schemes)
7) Eastleigh District Council (Investing for a return)
8) Leeds City Council (Revolving Door Fund)
9) Birmingham City Council (aligning Capital and Debt)

A number of other meetings were held around the Municipal Journal Forum at the end of March 2015 with other organisations sharing their good practice.

1. **Workstream – Self Sufficiency by 2019**

The intention is to optimise self-sufficiency by 2019 through three areas of development: influencing Central Government on Business Rates, Business Rates Pooling and Council Tax:

a) Reviewing assumptions in the MTFP and working with billing authorities to determine the validity of current forecasts and actions that could be taken to increase income from Council Tax and Business Rates based on local initiatives within existing regulations. This will include a review of the various Council Tax support schemes now in operation and opportunities to optimise income or minimise expenditure in this area alongside District Council partners and targeting of initiatives around fraud and error

   Resources Estimate: The intention is to undertake the modelling and development of this work-stream in-house. Additionally work will be undertaken with District Councils concerning a unified cross Worcestershire fraud and error approach to increase revenue.

   Timing Estimate: Development through 2015/16 for implementation from 2016/17 to 2018/19

b) Reviewing the impact of current Single Person Discount reviews to determine whether further investment can be made in existing partnerships or development can be made in ours and partners systems to increase the identification of fraud and error to ensure that more of the current income that is due to the Council is identified and collected locally.

   Timing Estimate: Agreement with Hereford and Worcester Treasurers

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Association (HWTA) through to Spring 2016 with an offer being taken through Chief Executives and Leaders Board for implementation in 2016

c) Seeking to lobby Central Government as an organisation (see the success of Cheshire East and Cambridgeshire], as a County Network (with the Society of County Treasurers), as Worcestershire (with HWTA) and as a Sector (Local Government Association and CIPFA) to increase the Council's ability for self-determination on Council Tax (Capping and Banding) and Business Rates. This includes making the most of local contacts with Central Government.

Resources Estimate: The intention is to undertake the modelling and development of this work-stream in-house. The models previously developed by external accountancy firms will be used to scenario plan and facilitate a conversation with Central Government. Discussions need to take place with those areas that appear to have been successful in retaining a greater proportion of business rates in Budget 2015. We will need work through MPs and the Worcester Local Enterprise Partnership to influence DCLG and HM Treasury.

Timing Estimate: Development in the later part of 2015/16 with realisation potentially in 2018/19 onwards.
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<tr><td></td><td>Lead Head of Service:</td><td>Mark Sanders</td></tr>
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Workstream – Optimising sales, fees and charges

Cabinet report produced outlining updated sales, fees and charges policy.

Over the longer term, the work in this area will take the results of the commissioning cycle across all of the County Council services and not seek to alter this approach. It will examine those services where income is still received by the Council and/or the control of income is still within the gift of the Council. The intention is to critically analyse the entirety of miscellaneous income received by all the County Council services during the 2014/15 financial year and overlay onto the primary analysis those areas of income that will still be received or influenced by the Council following the commissioning cycle to achieve full cost recovery.

For those identified services, go through each in detail and work with colleagues in Legal Services to determine revenue generation opportunities to achieve full cost recovery. From this a work plan will be established to optimise income streams in phases across the entire timeline of the MTFP. We will benchmark ourselves in detail against Council comparators and look to incorporate best practice from others into the Council.

Timing Estimate: Proposal to Cabinet in Sept 2015 for approval for initial introduction of a Council-wide policy with further work planned in 2016 to identify the potential to develop new revenue streams in support of full cost recovery.

To go live with a phased implementation of new revenue generation strategies from 2016/17 onwards with the aim of recovering only the full costs of delivery.
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<tr><td></td><td>Lead Head of Service:</td><td>Sue Alexander</td></tr>
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Workstream – Establishing a revolving door fund

The intention is to follow two areas of development:

a) Establishing a revolving door fund to support capital investment delivering
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economic development opportunities as well as the County Council's net revenue budget. This type of activity is most relevant in meeting particular issues confronting the wider market in Worcestershire, particularly:

I. The need to meet demand to be ready to occupy industrial and commercial buildings from existing and new companies seeking to expand in the County.

II. The potential to work with others to improve the supply of social care facilities within the County

III. The lack of upfront funding to deliver the level of strategic infrastructure required in the County given the limited level delivered from development and the increasingly limited Central Government investment in infrastructure

Central to the development of the thinking is the true value of the investment and corresponding risk. The investment decision needs to consider the increased business rates, reductions in the wider corporate budgets and wider economic benefits construction and increased employment in the County in addition to the financial return.

Examples of the type of activity involve include:

I. The construction of a series of speculative industrial units on the key sites across the County. Taking on the construction and selling the completed investment once successfully let, or retaining the completed investment and developing a portfolio for future disposal.

II. Joint investment with utility companies and or other infrastructure providers in strategic infrastructure such as new primary sub-stations and new technology within the water treatment industry based on a base return and share in ultimate gain.

III. Direct development of housing units, including affordable units that can be tied directly into strategic commissioners of adult care. Financial returns of market based units potentially further subsidising core budgets over and above a return to the revolving fund.

This needs a significant amount of work to develop and is more longer term. The intention is that by 2018/19 there is no new borrowing which impacts on the Council Tax requirement to support Capital Investment. The intention is for any such borrowing to be financed from surpluses developed across existing schemes. If we can get this right, all new capital investment should yield a return that not only repays borrowing but also generates additional surpluses for reinvestment – thus the revolving door fund.

Resource Requirements: As this is more innovative, it is likely that the Council will need experienced and expert support to develop the outcomes and models to deliver such an aspiration.

Timing: This is likely to relate more to the longer term and it is estimated that we could realise benefits in late 2017/18, maybe 2018/19.

b) Expanding our Business Finance offer that has been successful so far through arrangements with Impetus to achieve three outcomes; growing economic development in Worcestershire and therefore Business Rate Income: meeting a local business need, where there is a gap in the current business lending market, and making a financial return to reflect the risk capital that would be put up by the Council through an existing or new 3rd party partnership. Access

	to finance for certain segments of the commercial market remains difficult. Existing schemes are being reviewed across the Country including the Cambridgeshire Bank and Finance Birmingham. In addition the wider regional work on a Fund of Funds that seeks to draw in European funding in a more structured way also needs to be considered. Timing Estimate: Following investigation and research work during Summer 2015/16 with the potential offer that could be taken to businesses launched in the 2016/17 financial year.	
	Lead Head of Service:	Nigel Hudson
4.	**Workstream – Maximising value of estate** The intention to follow three areas of development: a) Firstly the Council needs to understand the extent to which capital assets have been financed by debt and the impact this has had on the revenue budget. The aim is then to consider whether the annual debt financing charge can be reduced by aligning asset life with the period over which the debt that financed the asset is repaid. PWC have been commissioned to review this work during August – September with a view to assessing the potential for policy change in the Winter/Spring of 2015/16. b) Once the Council understands the correlation between asset lives and debt financing, for those assets where there is a clear intention to retain those assets, on a case by case basis (taking the methodology applied within Property Services) undertake a buy/sell/lease analysis. Then across all of the estate consider revenue generation opportunities from those areas of the estate that will be retained by the Council. Including advertising, or and electricity production, the aim is to optimise income and reduce costs and may include the creation of a framework to assess the value for money of lending or gifting assets to achieve better service outcomes. This includes consideration of how to partner and provide incentives to create leverage off of the estate, models to be considered include Place Partnerships, Public Sector Partners and partnering with more traditional developers Consideration has also been given for maximising income from advertising from our highways estates e.g. roundabouts. However, we already do this on a case by case basis and to achieve the full effect across the county would mean discounting existing arrangements with District partners for a marginal income which has the potential to alienate and disadvantage partners. Resource Estimate: c£250k for enhanced locality review capability (This may be made available via the Cabinet Office) c) Introduce an 'Integrated Housing Model' across Worcestershire with partners. This model would take advantage of the existing work in Worcestershire to map all public sector land, identify a small number of opportunities where land or buildings can be developed, planning permission gained and construction of mixed use sites is undertaken by a partnership of public sector bodies to: i) Achieve a capital gain on the sale of a portion of the site for private residential use realising a planning gain; ii) Achieve an increase in Council tax from all units within a site;	

	iii) Achieve an increase in business rates for any local business created in the development (see iv); iv) Supporting District Council partners in achieving their objectives that may include housing and service delivery; v) Sell part of the site for scaled extra care, supported living, EBD units or other accommodation to a range of providers to meet commissioning objectives of the Council where currently that provision does not exist. This will result in outcomes being achieved and cost savings where service users can be moved from more expensive provision; and vi) Support District Councils in achieving their Housing Development objectives This does mean consideration needs to be given to taking on construction risk and not displacing a market for house-building that is returning across the County. Investment may be significant here either to grow capacity to do this ourselves or buy in to capability already developed in the private or public sector Resource Estimate: Estimates for investment may be in excess of £250k. Timing Estimate: 1) Work through 2015/16 with implementation in 2016/17, 2) More longer term, with a staged implementation across the MTFP period. 3) Estimated for go-live in 2017 as there is a significant amount of work to engage with partners, identify sites and establish business cases.
	Lead Head of Service: Peter Bishop
7	**What risks/issues are forseen and how can these be mitigated?**

The County Council (both individually and through work with District Councils) has the ability to indirectly influence control over a number of risks: Pace of planning consents / house-building Pace of net Business Growth Joint working / alignment of policies with partners (e.g. Districts)	Continue to work closely with District Council's and other partners to influence growth and economic prosperity
MRP Policy – Legal / External Audit challenge for 'Prudent Provision' Ensure there are fair financial support arrangements in place to avoid bad debts	Ensure appropriate financial and legal advice is obtained
Any re-profiling of debt repayments leaves the Council paying more over a 50 year lifespan	Appropriate Discounted Cash Flow techniques will be undertaken and long term views on inflation will be considered as part of the business case

	Identifying Revolving Door Capital Investment opportunities	Develop a wide ranging portfolio of revolving door investment schemes – recognising that some projects will be more successful than others
	Income areas could change as we commission services, some income governed by statute Development and market opportunity risk	close liaison with commissioners and service leads to understand Operating Model Establish a decision making governance model that appraises all value added aspects of potential project
	Difficult consultations likely if we ask our service users / customers to pay increased charges	Present clear rationale for any proposed increases.