

Meeting: Policy & Resources Committee
Overview and Scrutiny Organisation Committee

Date: June 22nd 2005
July 13th 2005

Report of: Director of Finance & Property

Subject: Annual Value for Money and Efficiency Report

1. Purpose of the report

1.1 This is the first Annual Value for Money and Efficiency Report presented to this committee. It provides an opportunity to update members on the new Annual Efficiency Statements that must be submitted to central government. It also provides a framework for action planning to improve the Council's use of its resources and to report on its delivery against those plans.

2. Recommendations

- 2.1 Note the 2005/06 "forward look" Annual Efficiency Statement submission.
- 2.2 Note the 2004/05 "backward look" Annual Efficiency Statement submission.
- 2.3 Note the actions taken in 2004/05 to improve the Council's use of its resources.
- 2.4 P&R agree the actions planned for 2005/06 to improve the Council's use of its resources.
- 2.5 OSOC note the actions planned for 2005/06 to improve the Council's use of its resources.

3. Information/background

Annual Efficiency Statements

3.1 Local government is required to achieve, relative to a 2004/05 baseline, total annual efficiency gains of at least £6.45bn by 2007/08. It is a further requirement that at least half of this be cashable. This target has been

derived from the review of Public Service Efficiency conducted by Sir Peter Gershon, commonly known as “The Gershon Review”.

- 3.2 The Office of the Deputy Prime Minister (ODPM) is responsible for collating the results of achievement against planned savings for local government and reporting them to HM Treasury and the Office of Government Commerce. This does not include the schools efficiency programme, which is assessed by the Department for Education and Skills.
- 3.3 The reporting framework to ODPM includes a “forward look” efficiency statement for the coming year, a “mid-year update” and a “backward look” on what has been achieved after the year-end. Some technical guidance has been produced to assist local authorities in reporting their efficiency savings although there are some areas where there is further technical development in progress.
- 3.4 Some mechanisms for providing advice and capacity to assist local government in meeting its targets has been put in place. For example we have had contact with the Care Services Efficiency Delivery Programme, which is focusing on adult social care and with the South East Centre of Excellence, which is focusing on procurement and is led by Kent County Council. We can also access national e-government projects such as a Customer Relationship Management (CRM) solution, which means that individual local authorities do not necessarily need to design bespoke responses in areas with common cause. This advice, capacity and solution provision could be of real benefit to the Council where it fits our own priorities. However, in most cases, it is only in the early stages of development at the moment.
- 3.5 The 2005/06 “forward look” Efficiency Statement was submitted to ODPM by the deadline of 15th April 2005. The cashable savings included in the statement directly flowed out of the budget setting process for the General Fund, including specific grants, and the Housing Revenue Account. The focus on efficiencies as part of setting the budget and the transparency of recording information meant that this was a relatively simple process and the need for additional analysis was kept to a minimum. Because of the Council’s overall financial position and need to deliver substantial cashable efficiency savings to keep council tax rises relatively low, we have been able to report cashable savings substantially above the target set.
- 3.6 Identification of non-cashable savings to include in the statement was a more challenging process because these do not affect our overall budget position and are therefore not captured in as systematic a way. An example of a non-cashable saving would be an improvement in performance or

output of a service for the same level of input resources. We have used brainstorming sessions with senior managers and other data sources such as the Implementing Electronic Government (IEG) statement to help in the identification process. Once identified, quantification was difficult because of the lack of clear guidance on appropriate methodologies although where possible we have attempted some simple calculations of savings. However, at this stage the information on planned non-cashable savings is not complete for these reasons although this is not of concern in terms of achieving the targets set because of the scale of cashable efficiency savings delivered.

3.7 The 2005/06 “forward look” Efficiency Statement is attached at Appendix 1 for information. A similar process was followed to complete the 2004/05 “backward look” Efficiency Statement which is attached at Appendix 2. The same pattern emerged with this of ease in demonstrating substantially above target cashable savings with less robust information on non-cashable savings. The 2004/05 savings can be combined with the 2005/06 savings to meet the 2005/06 target. In summary the following savings have been achieved against the target:

	2005/06 target	2005/06 planned	2004/05 actual*	Total against 2005/06 target
Total	5.780m	7.286m	6.233m	13.519m
Of which cashable	2.890m	6.587m	4.545m	11.132m

* draft, submission currently being finalised

Approach to Efficiency, Value for Money and Use of Resources

3.8 The focus on cashable efficiency savings as part of the budget setting process and to meet our Gershon targets could result in an interpretation of efficiency that is purely finance driven. It is therefore important to reiterate the connectivity between efficiency and customer service and the Council’s overall duty to promote economy, efficiency and effectiveness in the use of its resources in order to provide value for money for the council taxpayer.

3.9 These links are clearly recognised in the Council’s Corporate Plan, Performance Plan and Medium Term Financial Strategy, which together form the Delivery Plan. Examples of actions in the Corporate Plan that demonstrate this include:

- improve the effectiveness and efficiency of waste collection operations by addressing waste containment problems in the city; and

- provide high quality pre-admission and rehabilitation care to older people to help them to live as independently as possible, by reducing preventable hospitalization and ensuring year on year reductions in delays in moving people over 75 on from hospital.

3.10 As referred to above the Council has a responsibility to put in place proper arrangements to secure the economy, efficiency and effectiveness in the use of its resources, and to ensure proper stewardship and governance, and regularly to review them. The Audit Commission form a view each year as to whether the Council has put in place those proper arrangements. Their emphasis on value for money in particular will be significantly greater in future assessments and will be highly weighted in the Comprehensive Performance Assessment (CPA) judgment. Indeed, no Council will be able to achieve an “excellent” CPA rating without achieving a judgment of at least “good” within the value for money component of the use of resources assessment.

3.11 The Council has to report on this framework in the Statement of Internal Control, which forms part of the Statement of Accounts included elsewhere on this agenda. Key actions taken to improve this framework during 2004/05 are set out in Appendix 3. Key priorities to improve this framework during 2005/06 are also included at Appendix 3. These are considered to be evidence of a strong approach to continuous improvement, rather than evidence of fundamental weaknesses in this framework and this is supported by the conclusions of the Statement of Internal Control. There are more detailed actions included in the team plan and only those with greatest impact are highlighted for member attention in this report.

5. Consultation

5.1 No specific consultation has been undertaken in preparing this report.

COMMITTEE REPORT APPENDIX



Meeting/Date	Policy & Resources Committee
Report of	Director of Finance & Property
Subject	Annual Value for Money and Efficiency Report
Wards affected	All

Financial implications

There are no direct financial implications arising from this report. Details of efficiency savings are included in the body of the report as are links to the Council's overall responsibilities to secure economy, efficiency and effectiveness in the use of its resources.

Finance Officer consulted: Catherine Vaughan 17th May 2005

Legal implications

The approach adopted in the report is consistent with the Council's duty of best value under the Local Government Act 1999 and associated guidance. The impact of efficiency savings on the discharge of statutory duties needs to be monitored as part of the implementation process. There are no adverse Human Rights Implication arising from the report.

Lawyer consulted: Abraham Ghebre-Ghiorghis 23 May 2005.

<p>Corporate/Citywide implications</p> <p>The Council's framework for securing the economy, efficiency and effectiveness in the use of the resources is essential to deliver corporate and citywide objectives.</p>	<p>Risk assessment</p> <p>Effective management of risk is part of the Council's framework for securing the economy, efficiency and effectiveness in the use of resources.</p>
<p>Sustainability implications</p> <p>To identify both environmental and broader sustainability implications of the proposals. If these are substantial, they should be addressed in the main body of the report and referred to briefly here. If there are none, this should be stated.</p>	<p>Equalities implications</p> <p>This section should identify the equalities implications of the proposals. If these are substantial, they should be addressed in the main body of the report and referred to briefly here. If there are none, this should be stated.</p>
<p>Implications for the prevention of crime and disorder</p> <p>This section should identify the implications of the proposals for the prevention of crime and disorder. If these are substantial, they should be addressed in the main body of the report and referred to briefly here. If there are none, this should be stated.</p>	

COMMITTEE REPORT APPENDIX



Background papers

1. Efficiency Technical Notes for Local Government
2. Audit Commission Statement of responsibilities of auditors and of audited bodies
3. Budget working papers

Contact Officer

Catherine Vaughan, Director of Finance & Property x 1333

	2004/05 key actions	2005/06 priorities
a) Financial planning and review	<ul style="list-style-type: none"> • Medium term Financial Strategy (MTFS) projections updated for revised reserves position, analysis of financial risks on corporate critical budgets, known function and funding changes and expected changes to education funding • Revisions to budget consultation process including questionnaires to Business rate payers and earlier focus group data fed back to all members • Realignment of resources to reflect Corporate Plan priorities and consultation findings (see Appendix 4) • Update of critical budgets as part of TBM process 	<ul style="list-style-type: none"> • As for 2004/05 with known changes to education funding • As for 2004/05 • As for 2004/05 but with approach to capturing savings information to include non-cashable efficiencies • As for 2004/05 plus review of approach to capital monitoring, consideration of benefits of CIPFA financial management module and further emphasis on unit cost analysis
b) Treasury Management	<ul style="list-style-type: none"> • Policy Statement and Investment Strategy updated • Socially responsible investments review and policy update • Development of reporting on prudential borrowing 	<ul style="list-style-type: none"> • As for 2004/05

c) Asset Management	<ul style="list-style-type: none"> • Review of Social Care buildings condition and prioritization in 2005/06 revenue and capital budgets • Redesign of contract specification for urban and agricultural estates management portfolio to reflect corporate priorities • Housing Options evaluation process to address Decent Homes Standard requirements 	<ul style="list-style-type: none"> • Review of commercial property portfolio as part of new contractual arrangements • Review of operational property portfolio and continued development of office accommodation strategy • Housing options decision making to address Decent Homes Standard requirements • Promote energy efficiency in corporate buildings
d) Financial Information Systems (FIS)	<ul style="list-style-type: none"> • Powersolve user consultation survey and action plan • Review of future FIS requirements and options appraisal 	<ul style="list-style-type: none"> • Implementation of agreed new FIS
e) Financial Governance	<ul style="list-style-type: none"> • Review and update of Financial Regulations • National Fraud Initiative dedicated team established 	<ul style="list-style-type: none"> • Launch and implementation of updated Financial Regulations • Launch and publication of Whistleblowing policy • Review of anti-fraud and corruption arrangements
f) Risk management	<ul style="list-style-type: none"> • Commencement of review of risk management strategy 	<ul style="list-style-type: none"> • Finalisation and launch of Risk Management Strategy

g) Procurement	<ul style="list-style-type: none"> • Implementation on Procurement Scrutiny Review • Cross council CIPS training programme • Update of contract standing orders • Revision of Procurement Codes of Practice on Sustainability • Development of corporate procurement strategy • Establishment of contract officer forum and procurement strategy group • Options appraisal on meeting e-procurement targets as part of FIS review 	<ul style="list-style-type: none"> • Implementation of agreed new FIS and related procurement processes • Launch and implementation of corporate procurement strategy
h) Project Management	<ul style="list-style-type: none"> • Establishment of Heads of Support Services group for project coordination • Targeted training in Gateway methodology 	<ul style="list-style-type: none"> • Review of approach to project management training, in particular business cases and options appraisal • Development of “Pocket Guide to Efficiency”
i) Performance Management	<ul style="list-style-type: none"> • Purchase of the CORVU performance management system to replace an inefficient use of multiple Excel spreadsheets 	<ul style="list-style-type: none"> • Utilise the CORVU system so that efficiencies are realised in the Performance Team and key service areas (such as Children’s services and City Clean) benefit from improved performance reporting and review.

Extract from Budget report 2005/06

Directorate / Service	Percentage increase over 2004/5 adjusted base
Children, Families & Schools:	
- Schools	+4.6%
- Local Education Authority	+2.1%
- Children's Social Services	+11.1%
Housing & City Support	+4.0%
Section 31 Partnership	+9.2%
Environment	-1.5%
Corporate Services	+5.6%
Cultural Services	+5.7%
Total Directorate Spending	+4.8%

The percentage changes for Environment, Corporate Services and Cultural Services are distorted by the following factors:

Environment - Income from parking of £2m.

Corporate Services - Reinstatement of revenue funding for £0.5m planned maintenance funded from capital in 2004/5.

Cultural Services - Provision of £0.5m extra for PC computer replacement programme across the whole of the council.

The table below shows the percentage changes after the items above have been removed from the relevant Directorate budgets:

Directorate / Service	Percentage increase over 2004/5 adjusted base
Children, Families & Schools:	
- Schools	+4.6%
- Local Education Authority	+2.1%
- Children's Social Services	+11.1%
Housing & City Support	+4.0%
Section 31 Partnership	+9.2%
Environment	+4.2%
Corporate Services	+2.1%
Cultural Services	+2.9%

The percentage changes in the table above now clearly show:

- substantial investment in social care budgets;

- protection for frontline services;
- real term cuts for support services.