

FINANCE CABINET MEMBER MEETING

Agenda Item 28

Brighton & Hove City Council

Subject:	Annual Value for Money & Efficiency Report		
Date of Meeting:	21 July 2008		
Report of:	Director of Finance & Resources		
Contact Officer:	Name:	Nigel Manvell	Tel: 29-3104
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Key Decision:	No		
Wards Affected:	All		

FOR GENERAL RELEASE

1 SUMMARY AND POLICY CONTEXT

- 1.1 This is the fourth Annual Value for Money and Efficiency Report for the council with previous reports having been submitted to Policy & Resources Committee and Finance Management Sub Committee. It provides an opportunity to update members on the council's value for money programme and performance against government efficiency targets as reported in Annual Efficiency Statements submitted to central government.
- 1.2 The report 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 That the achievement against the 2007/08 efficiency target reported in the "backward look" Annual Efficiency Statement submission be noted.
- 2.2 That the actions taken in 2007/08 to improve the council's use of its resources be noted.
- 2.3 That the actions planned for 2008/09 to improve the council's use of its resources be agreed.

3 RELEVANT BACKGROUND INFORMATION

- 3.1 Under the Gershon Review of Efficiency, Local government was required to achieve, relative to a 2004/05 baseline, total annual efficiency gains of at least £6.45bn by 2007/08. This equates to a 10% efficiency saving (or 2½% per year) over a 4-year period. It was a further requirement that at least half of this be cashable. The balance could be achieved through "non-cashable" efficiency gains, for example, productivity gains where staff time is saved (e.g. a saving in the time taken to process planning applications) but where there is not necessarily a cash saving to the organisation.

- 3.2 Starting in 2008/09, the government has increased the annual efficiency savings target for local authorities to 3%, all of which must be cashable. This will apply over the 3-year period covered by the Comprehensive Spending Review (CSR 07) from 2008/09 to 2010/11.
- 3.3 Up until 2007/08, the department for Communities and Local Government (CLG) was 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 did not include the schools efficiency programme, which is assessed by the Department for Children, Schools and Families.
- 3.4 The reporting framework to CLG included “forward look” efficiency statements showing the savings planned for the coming year; a “mid-year update”; and “backward look” statements on what had actually been achieved for the year. Technical guidance was provided to assist local authorities in reporting their efficiency savings. These reporting arrangements will no longer apply throughout the CSR 07 period with efficiency targets having been more explicitly set out in the Local Government financial settlement.
- 3.5 Mechanisms for providing advice and capacity to assist local government in meeting its targets have been put in place. In particular we have been working with the South East Centre of Excellence (SECE), hosted by Kent County Council to identify efficiencies that can be gained from a range of collaborative working across local authorities, primarily focused on regional procurement initiatives. Guidance is also regularly issued by CLG. The Department of Health also provides support through its Care Services Efficiency Delivery (CSED) arm who work collaboratively with local councils, the NHS and service providers to develop and support initiatives to gain sustainable efficiency improvements in adult social care.
- 3.6 The 2007/08 “forward look” Efficiency Statement was submitted to CLG by the deadline of 12 April 2007. The detailed cashable savings included in the statement directly flow from the budget setting process for the General Fund, including specific grants, and the Housing Revenue Account.
- 3.7 The focus on efficiencies, cross-cutting savings and management savings as part of setting the 2007/08 budget and the transparency of recording this information meant that identifying cashable savings for the forward look statement was a relatively straightforward process and the need for additional analysis was kept to a minimum. Because of the council’s overall financial position and the need to deliver substantial cashable efficiency savings to balance the budget, the council has been able to report cashable savings substantially above the targets set for each of the 4 years.
- 3.8 Identification of non-cashable savings is 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 (productivity) of a service for the same level of input resources (e.g. staff). In compiling these statements we have focussed in particular on using data sources such as the regular Performance Reports to Policy & Resources (now Cabinet) to help in the identification process.

- 3.9 The 2007/08 “backward look” Efficiency Statement is attached at Appendix 3 or information. Additional guidance has been provided this year by CLG on calculating efficiencies and the deadline for submission of this return was 8 July 2008.
- 3.10 In summary, total efficiency savings of £26.965m have been achieved between 2004/05 and 2007/08. This exceeds the target of £22.388m by £4.577m or 20%. Within this total, cashable efficiencies of £20.345m have been achieved against a target of £11.193m, which is £9.152m or 82% over target. Summary information is provided at Appendix 2.
- 3.11 For 2008/09 to 2010/11, the 3% cashable savings target is £6.300m per annum. However, in total, the council’s budget requirement to meet efficiency savings, fund priority services, and meet service pressures (e.g. concessionary fares) in 2008/09 was £9.1m. To address this budget requirement the budget process identified £9.1m savings of which £5.540m were cashable efficiency savings. This is below the 3% target inherent in the authority’s financial settlement, but this reflects the fact that efficiencies of this magnitude will become increasingly difficult for local authorities to meet year-on-year and that alternative savings, which may have some impact on services, will need to be found.
- 3.12 The efficiency savings identified in the 2008/09 budget are summarised at Appendix 4 together with current performance as at Month 2 (May). This shows that there is a forecast shortfall of £0.205m on General Fund efficiency savings at present, which directorates are currently developing recovery plans to mitigate. The Housing Revenue Account is expecting to achieve efficiency targets in full.

4 APPROACH TO EFFICIENCY, VALUE FOR MONEY AND USE OF RESOURCES

4.1 Links to Medium Term Financial Strategy and Budget Setting

The focus on cashable efficiency savings as part of the budget setting process could result in an interpretation of efficiency that is purely financial. It is therefore important to reiterate the connectivity between efficiency, customer service and performance 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. These links are clearly recognised in the Council’s Corporate Plan and Medium Term Financial Strategy. These detail the performance targets and service outcome targets that the council has set itself. The achievement of efficiencies is as important to achieving these targets as service improvement. This overall approach has enabled the council to deliver very substantial efficiency savings while improving and investing in front-line service provision.

4.2 Duty to secure Value for Money

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. An opinion on the council’s arrangements for

securing value for money is given in the auditor's Annual Governance Report presented to Audit Committee each year.

4.3 Comprehensive Performance Assessment (CPA) and the "Use of Resources" Assessment

The outcome of the 2006/07 CPA was reported to Policy & Resources Committee on 6 March 2008 via the external auditor's "Annual Audit & Inspection Letter". The council was assessed as a 3 star authority that was judged to be "improving well".

However, for the "use of resources" element the council scored 2 (out of 4). The external auditor said that: "*The overall conclusion is that the Council has maintained strong arrangements in place for financial management and internal control. It also continues to develop its arrangements to manage and improve value for money and to improve debt management, although for these two areas the improvements have not yet produced outcomes that result in an increased auditor judgement.*" There has been considerable focus on these two areas during 2007/08 with the value for money programme progressing well and with scrutiny of debt management having been increased through new quarterly performance reports to Finance Management Sub-Committee. There have also been many changes to debt management services, which are moving toward best practice benchmarks for service delivery.

The 2007/08 Use of Resources assessment is currently in progress with the main review work by external auditors expected to take place from mid-July to September. An assessment outcome is not expected until November 2008. Key actions for improving use of resources are set out in Appendix 1.

4.4 Annual Governance Statement

The council has to report on its framework for securing economy, efficiency and effectiveness in the Annual Governance Statement, which forms part of the Statement of Accounts. This sets out key actions and priorities to improve this framework during 2008/09. 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 Annual Governance Statement. There are more detailed actions included in the Finance & Resources and Strategy & Governance Departmental Development Plans (DDPs) and relevant business plans but only those with greatest impact are highlighted in the statement.

4.5 Value for Money Approach

The Council has long recognised the importance of systematically reviewing its services in order to support not only the delivery of efficiency savings but also to ensure that good performance and best practice are achieved wherever possible. Many Best Value reviews and other key service reviews have been undertaken and have delivered improved outcomes and/or efficiency over the years. However, under the current Administration, a more robust framework has been developed and a council-wide programme of value for money reviews has been implemented using a commonly applied methodology.

5 VALUE FOR MONEY IMPROVEMENT PROGRAMME

- 5.1 The current value for money programme of reviews started in July 2007 with Adult Social Care and is now focusing on the final directorate to be reviewed, Environment. The progress of the programme and final reports are detailed in the table below.

Directorate/Service	Review Completion
Adult Social Care	July 07
Corporate Services	Sept 07
Cultural Services	Nov 07
CYPT	Apr 08
Housing Strategy/ Housing Management	July 08
Environment	Sept 08

- 5.2 The reviews take into account a range of complex factors that help directorates prioritise their improvement projects. Factors include:
- Council priorities
 - Service performance
 - Spending and unit cost comparisons
 - Cost versus benefit evaluations
 - Potential to improve or achieve efficiencies and at what level of investment i.e. is there a “quick win” or is wholesale service transformation needed
 - Stakeholder views/workshops

The output of each review will be either an implementation plan, improvement project plan or business case depending on whether to go for quick wins or invest in change of a larger scale.

- 5.3 The value for money improvement programme will include projects that will take between 6 months and 2 years to undertake and implement depending on their complexity and the level of service transformation recommended. These projects will clearly be an important element of helping the council to deliver efficiency savings while improving services. However, the timing and, in particular, implementation of these reviews may not dovetail perfectly with the council’s annual budget setting requirements and there will still need to be a parallel process of identifying other efficiency savings as part of the annual budget process. As the outcome of reviews are known and the financial savings and investments are quantified, these will be built into the council’s Medium Term Financial Strategy and annual budget strategy.
- 5.4 Examples of improvement areas identified from VFM reviews to date include:
- CYPT - Looked After Children (LAC) Commissioning Strategy developed with set targets and actions for reducing LAC numbers.

- CYPT - shifting funding for SEN from specialist provision into mainstream schools as part of the wider early intervention and inclusion strategy.
- Adult Social Care - the in-house home care service will form part of an integrated re-ablement team, focusing on short term interventions which maximise independence. The service will also expand its presence in terminal care and emergency respite care.
- Adult Social Care - review of Older People Day Centre provision.
- Adult Social Care - provision of a single access point for adult social care services.
- Cultural Services - Income generation projects across Cultural Services.
- Cultural Services - Feasibility study to establish the strength of the case for setting up an Economic Development Company for Brighton and Hove.
- Cultural Services - Feasibility study to establish the strength of the case for redeveloping the broader campus sites around Whitehawk, Woodingdean and Moulsecoomb libraries for mixed-use purposes.
- Corporate Services - Accommodation group set up to review use of office and other accommodation in the light of the Access Strategy, future technology and different ways of working (e.g. home/mobile working).
- Corporate Services - Business Process Re-engineering is being applied across Financial Services to reduce transaction costs and reduce low value processes.

5.5 Value for money projects can be aimed at improving quality, productivity and/or costs. Where a project is likely to require substantial organisational change or pump-priming investment of resources or money, directorates are asked to draw up a business case taking into account the resources, costs, risks and expected benefits of implementing the proposed improvement project. VFM projects are not separately identified in the budget setting process but will generally form a significant element of each directorate's savings proposals.

5.6 A separate fund, the "Transformation Fund", has been created to further support delivery of VFM projects. This fund, amounting to £150,000 recurrently with a further £100,000 added for 2008/09 from last year's outturn position, has been allocated to directorates following submission of business cases. Funds are generally used to create additional capacity or bring in necessary expertise to support VFM implementation.

6 CONSULTATION

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

7 FINANCIAL & OTHER IMPLICATIONS

Financial Implications:

- 7.1 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.
- 7.2 The outcome and outputs from value for money projects will need to be quantified in financial terms and built into the Council's budget setting process and Medium Term Financial Strategy.

Finance Officer consulted: Nigel Manvell Date: 27 June 2007

Legal Implications:

- 7.3 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.
- 7.4 The impact of efficiency savings on the discharge of statutory duties needs to be monitored as part of the implementation process to ensure that the Council can continue to discharge these duties adequately.
- 7.5 In relation to specific proposals for efficiency savings, it is anticipated that the Cabinet Members will wish to continue the approach on budget matters agreed by Policy and Resources Committee in January 2007, suitably adapted to the new constitutional arrangements, as follows:
- i) budget proposals which do not involve significant or sensitive service changes will not normally need to be considered at the relevant Cabinet Member meeting before they are taken into account in budget reports to the Cabinet;
 - ii) where one or more of the following applies, consideration should be given, with the relevant Cabinet Member, to bringing forward a consultative report to a meeting of that Cabinet Member before a matter is included in any budget reports to the Cabinet: (a) where the matter is associated with political or other controversy or sensitivity; (b) where, in relation to the matter, there are legal requirements to undertake consultation and full consideration of responses by the decision maker. If it is not practicable to have done the detailed assessment / consultation before reporting to Cabinet, the budget proposals to Cabinet should state that they are subject to the completion and due consideration at the appropriate level of such consultation / assessment.

- 7.6 There are no adverse Human Rights Implication arising from the report.

Lawyer consulted: John Heys Date: 8 July 2007

Equalities Implications:

- 7.7 There are no direct equalities implications arising from this report

Sustainability Implications:

- 7.8 There are no direct sustainability implications arising from this report.

Crime and Disorder Implications:

- 7.9 There are no direct crime and disorder implications arising this report.

Risk and Opportunity Management Implications:

- 7.10 Effective management of risk is part of the Council's framework for securing the economy, efficiency and effectiveness in the use of resources.

Corporate / Citywide Implications:

- 7.11 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.

8 EVALUATION OF ANY ALTERNATIVE OPTION(S)

- 8.1 It is a government requirement to report on performance against efficiency targets and hence the cabinet member is asked to note the report.
- 8.2 The actions for improving use of resources are expected to be deliverable within the time scales and resource capacity available to the authority. Actions are in response to:
- i) Recommendations made by the external auditor in the Annual Audit & Inspection Letter.
 - ii) Recommendations made, or any weaknesses highlighted, by the external auditor in the Annual Governance Report and Final Accounts Report (for Financial Reporting).
 - iii) Recommendations arising from internal audits conducted in accordance with the Internal Audit Plan.
 - iv) Internal reviews of performance and governance.

The actions identified concentrate on areas requiring further improvement or where the impact will be of most significance. Although these actions cannot guarantee improved CPA assessment scores, they are designed to move the authority in the right direction. Alternative actions could be proposed but must consider the following:

- the likelihood of external audit recommendations not being met;
- the available capacity to deliver against alternative targets, or;
- the potential impact on assessment scores for the authority.

9 REASONS FOR REPORT RECOMMENDATIONS

- 9.1 To update the council's cabinet member for finance in relation to performance against efficiency targets and the progress of value for money reviews.

9.2 The cabinet member for finance is also asked to agree actions to improve the use of resources to ensure appropriate governance and challenge in setting these targets.

SUPPORTING DOCUMENTATION

Appendices:

- (1) Key Actions and Priorities for Improving Use of Resources
- (2) Summary of efficiencies achieved against target 2004/05 to 2007/08
- (3) “Backward Look” Annual Efficiency Statement 2007/08
- (4) Progress against 2008/09 Efficiency Savings

Documents In Members’ Rooms

None

Background Documents

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