

Report of	Meeting	Date
Director of Transformation	Overview and Scrutiny Committee	22 March 2010

NATIONAL INDICATOR 179: CASH-RELEASING VALUE FOR MONEY GAINS SINCE 1 APRIL 2008

PURPOSE OF REPORT

1. To report the cash-releasing Value for Money gains achieved up to 31 March 2009 (2008/09 actual).
2. To report the forecast of the cumulative cash-releasing Value for Money gains to be achieved up to 31 March 2010.

RECOMMENDATION(S)

3. That the achievement of the local National Indicator 179 target for 2008/09 be noted, and the further savings targets and approach for subsequent years also be noted.

EXECUTIVE SUMMARY OF REPORT

4. The local efficiency gains target for Comprehensive Spending Review 2007 (CSR07) period 2008/09 to 2010/11 was approved by Executive Cabinet of 4 September 2008. The cumulative total for the three years was £1,985,643, of which £726,404 would be met from £726,404 cashable savings brought forward from the spending review period to 31 March 2008. This meant that new efficiency savings of £1,259,269 would be required over the three years.
5. The target set for 2008/09 was £1,172,585, including the brought forward savings. (This was rounded to £1,173,000 as part of the additional information provided with the Council Tax demand for 2009/10.) The total that I have reported as achieved up to 31 March 2009 was £1,172,861, so the local target for 2008/09 was achieved.
6. Guidance as to calculation of the expenditure baseline has changed since the local target was set last year and the national target for cumulative efficiency savings over the three-year period has increased from 9.3% to 10.3%. Together these changes require an increase in our local target to £2,444,303, if we are to achieve efficiency savings in line with the national target.
7. To remain on course to achieve a cumulative target of £2,444,303 (10.3% of baseline) by 31 March 2011 means that we need to set a cumulative target of £1,731,061 for 2009/10.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

8. To ensure that Members are aware of the Council's performance against the efficiency savings target set for the year to 31 March 2009.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

9. Councils could choose to set a lower cumulative efficiency savings target than the national target of 10.3% for the CSR07 period. The target is not compulsory but the performance of all councils taken together is monitored and the figures for each council are published. Setting a lower local target than the national target should be rejected so that the council can demonstrate that it is achieving value for money and because efficiency savings are required in order to set a balanced budget.

CORPORATE PRIORITIES

10. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the Central Lancashire sub-region		Develop local solutions to climate change.	
Improving equality of opportunity and life chances		Develop the Character and feel of Chorley as a good place to live	
Involving people in their communities		Ensure Chorley Borough Council is a performing organization	✓

BACKGROUND

11. The local target for cash-releasing Value for Money gains, or efficiency savings, for the Comprehensive Spending Review 2007 period 2008/09 to 2010/11 was approved by Executive Cabinet on 4 September 2008. Using the guidance available at the time, which allowed a degree of local discretion, the target was set as follows:

£

Local Efficiency Savings Target

Baseline expenditure (revenue & capital)	21,351,000
Local cumulative target @ 9.3%	1,985,643
Less cashable savings brought forward	(726,404)

New savings required by 31 March 2011 1,259,239

14. Taking into account the discretion permitted by the then current guidance, I had adjusted the baseline expenditure to exclude certain costs that distorted the total of efficiency savings required. These included notional costs (FRS17 pension-related adjustments), slippage financed from earmarked reserves, and certain capital expenditure such as one-off land assembly costs or grants.
15. To achieve the cumulative target of £1,985,643 by 31 March 2011, I advised that a local target of £1,172,585, including the brought forward savings (which were revised to £726,229), would be required for 2008/09. New efficiency savings required in 2008/09 would therefore be £446,356.

PERFORMANCE AGAINST TARGET 2008/09

16. The efficiency savings achieved in 2008/09, including the brought forward savings, were £1,172,861. An analysis of the savings is presented as Appendix B.

REVISED 3-YEAR TARGET AND LOCAL TARGET FOR 2009/10

17. The guidance as to how efficiency savings should be calculated has been updated since the three-year target of £1,985,643 was approved, and the national target for savings over the CSR07 period has increased to 10.3%. The expenditure baseline should now be calculated by adding the outturn revenue expenditure for 2007/08 to the average capital expenditure for the three years 2005/06 to 2007/08. This calculation would require a baseline of £25.113 million rather than the figure of £21.131 million taken account of in the calculation of our local target.
18. By including average capital expenditure for the period 2005/06 to 2007/08 in the calculation of Chorley Council's baseline, capital expenditure on the dwellings transferred to Chorley Community Housing at the end of 2006/07 has been included. This means that efficiency savings from General Fund revenue budgets would be required as a result of capital expenditure incurred on Housing Revenue Account properties up to four years ago. However, the DCLG has accepted in principle that such expenditure should be excluded from the calculation, and I have calculated a revised baseline (£23,731,085) on the assumption that this will be confirmed. Other large one-off projects cannot be excluded from the calculation, so capital expenditure on schemes such as the Gillibrand Link Road, Eaves Green Link Road and Chorley Strategic Regional Site has been included in the revised baseline.
19. The revised local target for the three-year period is calculated as follows:

	£
<u>Local Efficiency Savings Target</u>	
Baseline expenditure (revenue & capital)	23,731,085
Local cumulative target @ 10.3%	2,444,303
Less cashable savings brought forward	(726,229)
New savings required by 31 March 2011	<u>1,718,074</u>

20. To meet the cumulative target of £2,444,303 by 31 March 2011, I calculate that the cumulative target to 31 March 2010 should be £1,731,061. Most of the efficiency savings required in order to meet the total for 2009/10 have either been reflected in the original estimate for this financial year or have been identified as a result of budget monitoring. The total should be achievable. Budget holders, however, will be required to provide supporting evidence to ensure that any savings are in fact gains in efficiency and this information is currently being collated and this will be part of the quality assurance process during the year end closedown, but information on the expected efficiencies is shown at Appendix C.

EFFICIENCY IN FUTURE YEARS

21. In each of the last two financial years the Council's Medium Term Financial Strategy has set out the key spending areas that would be looked at as part of the Council's efficiency programme.
22. For ease of reference, set out below are the relevant extracts from the 2010/11 Medium Term Financial Strategy.

REVENUE FORECAST

23. On the basis of the assumption outlined in the budget report and predicted upon current levels of service, the forecast indicates that the following budget gap will exist over the three year period.

Table 3: Budget Gap 2010/11 – 2012/13

Year	Budget Gap £'000
2010/11	0
2011/12	333
2012/13	932

24. The table shows that over the financial planning period post 2010/11 a further £1.265m will need to be found from the following sources:
- Further reductions in expenditure
 - Additional income generation
 - Increases in Council Tax
25. In each of the financial years some of the current grants available will cease to be available, they may be replaced by others but until this becomes clear it has to be assumed that these will not be replaced. However clearly the Government will want to ensure that some of its key policy objectives are achieved and it is likely that new funding arrangements will be put in place. However the scale of this and the likelihood of Chorley attracting that funding is not possible to estimate.

In this respect the Council's Strategy will be:

- To continue to restrain Council Tax rises below inflation.
 - Deliver a balanced budget over the Financial Planning Period 2010/11– 2012/13.
 - Identify the savings required to balance the budget seeking to minimise the impact on front line service users.
- In this respect it will look to:
- Make better use of its asset base and further rationalise the number of administrative buildings it uses.
 - Maximise opportunities for better procurement.
 - Complete the 3 year Programme of Value For Money recovery on all Council activities by 2010/11.
 - Undertake a year on year baseline review of expenditure.
 - Maximise the opportunities to attract specific grants.
 - Further develop the Shared Services agenda.
 - Continue to lobby the Government to redress some of the grant distribution issues.
 - Renegotiate some of its longer term contracts on more favourable terms.

In this respect the following information is relevant.

ASSET MANAGEMENT PLANNING

26. The Council is currently undertaking a strategic asset review and contained within it is likely to be an aspiration to rationalise the Council's use of administrative buildings. Should it be achieved this could generate savings in the region of £150k per annum through savings in running costs and sale or rent of redundant sites. The project has been delayed during 2009/10 as there are clear links to the local development framework and the Town Centre, as the Council occupies three key strategic sites in the Town Centre. Therefore the project will be developed to align with the site allocations plan currently being developed. This will be key to informing the Councils Asset Strategy.

MAXIMISE OPPORTUNITIES FOR PROCUREMENT

27. We continue to ensure excellent procurement practice across the council and this has now been extended to include South Ribble as part of the Shared Financial Service. This extended service will enable bigger buying power and we are already identifying service areas such as Transport where savings can be achieved at Chorley. Additionally the Team Lancashire procurement Hub is now established and we should see procurement savings resulting from the contracts they put in place for the benefit of all Lancashire Councils.
28. We are also working hard to deliver procurement savings through more innovative ICT service delivery and acquisition.
29. Over the 2 years 2010/11 and 2012/13 I would look to achieve savings of £100k through Procurement savings from targeting in particular expenditure that has previously not recently been subject to a procurement process or where that procurement process has not been refreshed for some time. A particular emphasis will be given to the purchase and maintenance of computer software solutions.

COMPLETE THE 3 YEAR PROGRAMME OF VFM REVIEWS

30. The VFM review programme continues and the first 2 reviews have resulted in restructures that will deliver in excess of £194k in annual salary savings. The most recent review of the support services will see a 2% reduction on the total salary budget in 2010/11. The remaining reviews will cover all predominantly leisure, housing and customer services.
31. With an established successful format for undertaking the reviews now in place I am confident that this will deliver further savings through both identifying further shared services opportunities and achieving efficiencies. Applying an 8% percentage reduction on the salary budgets and taking account of the review timetables a target savings of up to £157k is not unreasonable over the next two financial years.
32. The Council's 2009/10 budget includes savings from the growth of the Shared Financial Service of £50k. This was achieved through the integration of posts the emergency planning function into the Shared Assurance Services and the sharing of a Crime and Disorder Manager post. It also includes a further target of £119k from the sharing of services on:
 - Planning Policy and Enforcement (under discussion)
 - Extending the financial shared service looking at revenues and benefits (under discussion)
 - Crime and Disorder Reduction Partnership (completed)
33. This strategy is likely to be one that will need to be pursued vigorously in coming years as the Council along with other Councils in Lancashire looks to improve both the customer experience by breaking down barriers and reducing costs. It should be remembered that sharing services can include buildings and infrastructure and assets as well as staffing.

34. I believe that the continuing development of shared services will play a major part in achieving our savings target. The Financial Shared Services with South Ribble has achieved a 5% reduction for Chorley on salary costs and if we replicate this across the areas we could tackle in the coming 2 years I am confident this will realise a further saving over the 2 years of around £150k in services such as Revenues and Benefits. A co-ordinated and strategic approach needs to be developed for this agenda and discussions are ongoing with potential parties including South Ribble Council, West Lancs Council and Lancashire County Council.

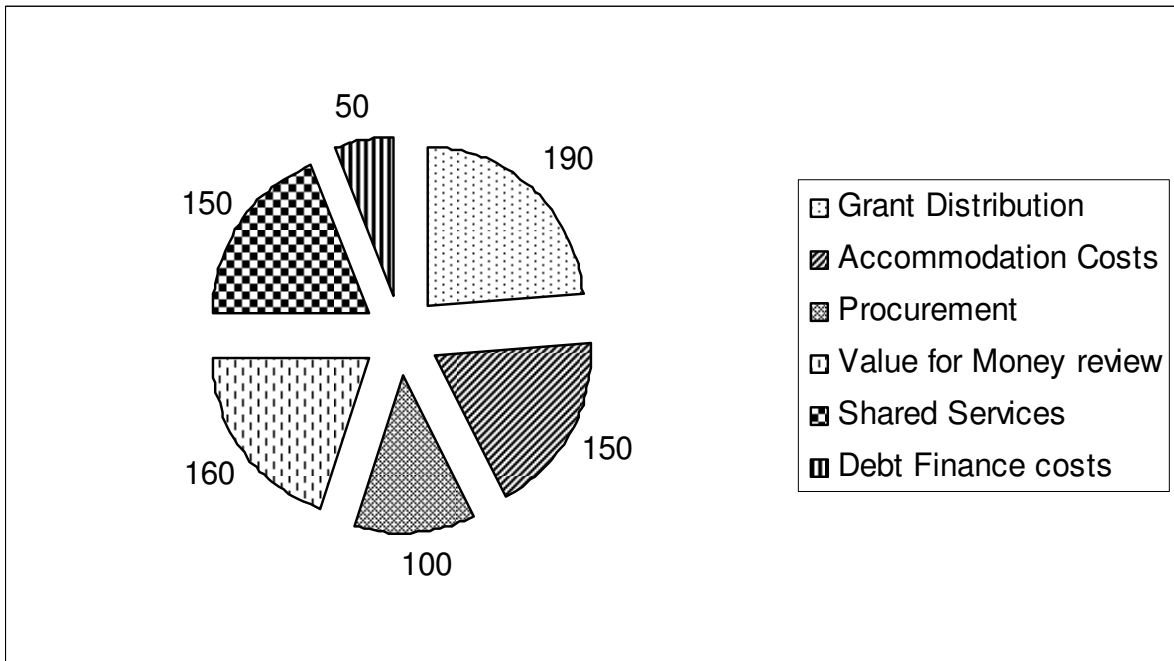
LOBBY FOR ADDITIONAL GOVERNMENT FUNDING

35. Whilst the whole issue of the distribution of Government grant is one that has the propensity to determine the financial stability of the Council there are two particular aspects of funding that are significant in terms of the overall budget position.
36. Concessionary travel where the cost of the scheme have resulted in a realignment of Government Grant and the current system for reimbursing Housing benefit costs. Under this scheme the amount of subsidies the Council gets on the rent it pays through housing benefit is capped for private landlords who provide the tenant with care support or supervision but it is not for registered social landlords who provide the same package. In 2008/9 the loss to the Chorley tax payer totalled almost £191k. Some progress has been made with the DWP on this issue and they now recognise the impact it is having on some authorities. We are continuing to work with them to see if a solution can be found.
37. As the current arrangements for the funding of free swimming end in 2010/11, the Council will if appropriate and following an evaluation of the scheme seek to lobby the Government to continue to provide the resources necessary to extend the scheme.

DEBT FINANCING CHARGES

38. The Capital Programme 2010/11 to 2012/13 requires the use of capital receipts from the sale of assets of £0.527m and the use of VAT Shelter Receipts of £1.444m. In total however there is potentially an additional sum of £0.801m to be generated from asset sales and a further £0.873m from the VAT Shelter. If all sums are achieved there is therefore a sum of £1.674 uncommitted. The exact timing of the sales and receipts is clearly difficult to predict. However in terms of the financial strategy, sums received during the period over and above those required to finance the programme could be set aside to reduce the Council's debt. A sum of £0.350m would reduce the ongoing revenue costs by approximately £0.050m annually.
39. In this respect the Council's efficiency and improvement targets and the areas of focus are summarised in the diagram below:

Potential areas for future savings



41. Total potential efficiencies and savings total £800k. Therefore once the future funding arrangements become clearer the current strategy will need to be revisited to align savings and efficiencies targets with potential saving streams.

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DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

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