

Report of	Meeting	Date
Director of Finance	Corporate and Customer Overview and Scrutiny Panel	24/08/07

OVERVIEW AND SCRUTINY INQUIRY – A BACKGROUND TO THE NATIONAL EFFICIENCY AGENDA

PURPOSE OF REPORT

1. To provide members of the Scrutiny Panel with a background picture of the national Efficiency Agenda and the progress made to date at Chorley on achieving the targets set for us by the Government.
2. To highlight the challenges ahead as we prepare for the demands of the forthcoming comprehensive spending review 2007.

RECOMMENDATION(S)

3. That the report be noted and included in the Documentary evidence gathered as part of the Scrutiny Inquiry.

CORPORATE PRIORITIES

4. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the central Lancashire sub region		Improved access to public services	√
Improving equality of opportunity and life chance		Develop the character and feel of Chorley as a good place to live	
Involving People in their Communities		Ensure Chorley is a performing Organisation	√

GERSHON REVIEW

5. In August 2003, the Prime Minister and Chancellor of the Exchequer asked Sir Peter Gershon to undertake a review of public sector efficiency. It focused on the Government's key objective to 'release resources to fund the frontline services that meet the public's highest priorities by improving the efficiency of service delivery'. Sir Peter Gershon and his team worked closely with departments and other stakeholders, and published his report in July 2004.
6. The report identified the opportunity to make £21.5 billion of sustainable efficiency gains across the public sector in 2007/078. Of this total at least £6.45 billion would be achieved by local government in England – equivalent to 7.5 per cent of its 2004/05 baseline expenditure. This figure was adopted through the 2004 Spending Review as the official target for local government.

WHAT IS AN EFFICIENCY GAIN

Efficiency gains may be cashable or non-cashable

7. Cashable efficiencies release cash whilst maintaining outputs and allow the resources that are released to be diverted to other services or to hold down council tax increases. Non-cashable efficiency gains occur when productivity increases, either for the same resource inputs or a proportionately smaller increase in resource inputs.
8. Therefore, looking at how efficiency gains might be achieved, reducing inputs (money, people, assets) for the same outputs and reducing prices (procurement, labour costs) for the same outputs are both cashable efficiency gains. There is a direct financial saving or benefit with money released that can be spent elsewhere or recycled within a service to deliver better results.
9. Where greater outputs (extra service, productivity) are achieved for the same inputs or proportionately more outputs for an increase in resources then volume-based non-cashable efficiency gains are secured. In this case there is no direct financial saving or benefit that is released for recycling or keeping council tax down. Improvements in service quality for the same resources would also be non-cashable; for more information see below.

Example: Cashable or non-cashable?	
Authority B handles 1,000 benefit applications with 10 staff at a cost of £350,000 in 2004/5. Following a review of its internal processes, it is able to either: (a) Handle the same number of benefit applications with 9 staff; or (b) Handle 1,100 benefit applications, but still with 10 staff.	
(a) This is a cashable gain equal to £35,000 (the resource – salary and overhead costs – released by no longer redeploying the 10th person away from this area of work).	(b) This is a non-cashable gain equal to £35,000 (the productivity improvement is equivalent to engaging at 11th person in this area of work, but no resources have been released for reallocation).

PROGRESS AT CHORLEY

10. Our approach had been strategic right from the word go and back in 2003 we commissioned a high level study aimed at setting out how we could use technology to e-enable both people and processes within the organisation.
11. The e-workforce programme was born in early 2004 and has made a significant impact realising substantial efficiency gain for the Council.
12. Our targets for the 3 year period covered by the SRO4 (5/6; 6.7; 7/8) was £1.29 million. By the end of 6/7 we had reported savings amounting to £1.88 million of which £1.35 was cashable (Authorities who had started early on the efficiency agenda like ourselves were allowed to count gains in 2004/5 so that we were not disadvantaged in relation to other less progressive Councils).
13. Major contributors in the first three years:
 - Reduction in support services costs through major changes to back office processes ie new Procure2Pay system; Flexitime and Annual Leave system, Committee Admin System.
 - Improved procurement.
 - Revamping the Internet

- Restructuring to focus on priority areas.

14. The table below sets out for members the annual totals of cashable and non-cashable gains broken down into the relevant efficiency gain theme.

	Cashable	Non-cashable	Total
Efficiency Gain Themes			
Corporate Services	303,342	28,428	331,770
Procurement	503,103	0	503,103
Productive Time	103,666	212,639	316,305
Transactions	359,214	289,926	649,140
Cultural	87,400	0	87,400
Total	1,356,725	530,993	1,887,718

THE FUTURE

15. Members will note that we have already significantly exceeded our efficiency target with the final financial year still to be recorded. This is of course good news however the focus must now be on the future and we need to start putting plans in place to set out our vision for achieving the likely, even more demanding targets, which will be asked of us during 2008-2011. These are expected to be at least 3% per annum all of which must be cashable
16. Our preparation has already started this year with the establishment of our strategic framework for delivering, managing and improving value for money. It was pleasing to see our progress as an authority that delivers on value for money reflected in our Use of Resources – Value for Money theme score for 2006 where the Audit Commission allocated us a score of 4, one of only 3 districts in the country to achieve this.
17. Our Value for Money Strategic framework also sets out a 3-year programme of Value for money reviews commencing September 2007. These reviews will be critical if we are to be successful in achieving the future targets.

KEY ACTIONS IN 2007/8

18. 2007/8 is the final financial year of the current spending review period and I have set out below the efficiency areas we intend to concentrate on that were included in the forward looking statement for 2007/8 submitted to the government in April this year.
- Review our Procurement Strategy to re-prioritise our focus in the light of National Guidance.
 - Implementing our strategic approach to VFM, including carrying out a major VFM service review during 2007/8 as part of a 3year programme
 - Implementing our recently approved Partnerships Framework to strengthen governance arrangements and ensure effective delivery of objectives through partnerships.
 - Implement a Corporate Contract Management system and ensure delivery of £100k anticipated savings through the outsourced Property Services Contract.

- Continuing transfer of key services to the Telephone Contact and implementation of an integrated CRM system.
- Providing training and awareness to all levels of the organisation on the efficiency agenda as part of a drive to embed a VFM culture at the Council.
- Implementation of the outcomes from the Shared Services collaboration project with South Ribble Borough Council and the RCE on financial and related services.
- Ensure the revamped Business Improvement Planning process is effectively integrated to the Council's overall financial and performance management cycle.
- Implementation of the change programme resulting from the Business Process Architecture project being undertaken on behalf of the CLG.
- Engaging in joint procurements/collaboration to deliver savings i.e. IT through e-action; telephony through partnership with neighbouring Council.
- Real focus on migration of customers to cheaper access channels following the new website 'go live ' in April 2007

These are of course important and if they are fully achieved will take the final efficiency savings total to near the £2.5 million mark. However, as mentioned earlier in this report a strategic focus on the next 3 years will be imperative if we are to be confident of delivering the target savings set by the government to be delivered during 2008-2011

GARY HALL
DIRECTOR OF FINANCE

There are no background papers to this report.

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