

Report of	Meeting	Date
Assistant Chief Executive (Business Transformation)	Audit Committee	25 September, 2008

DELIVERING EFFICIENCY AND VALUE FOR MONEY-REFLECTING BACK AND LOOKING FORWARD

PURPOSE OF REPORT

- The purpose of the report is to;
 - Provide an update for members on Efficiency gains achieved through the 3-year, 04 Spending review period which ended on 31st March, 2008
 - Outline a strategic way forward for tackling the continuing demands for delivering efficiency and value for money under the Comprehensive Spending Review 07, which covers the 3-year period 2008-2011.

RECOMMENDATION(S) TO EXECUTIVE CABINET ON 4 SEPTEMBER 2008

- That the successful achievement of the government £1.29 million efficiency targets set for the 04 Spending Review period and the £726,404 excess savings we are able to count towards the CSR07 period target, be noted.
- That the strategic way forward set out in this report be approved as a platform for delivering efficiency gains and achieving value for money be approved.
- That the efficiency target of £1.26 million be approved as a local target for the council during the CSR07 spending review period.
- That the Executive Member for resources be nominated VFM champion.
- That an annual update be presented to Executive Cabinet to monitor progress.

EXECUTIVE SUMMARY OF REPORT

- The report provides a final position statement on the council's performance on achieving efficiency gains during the 04 Spending Review period 2005/2008. The council substantially exceeded the government targets set for it and is now in a favourable position to meet the challenge of the Comprehensive Spending Review 07, which covers the period 2008/2011.
- The report suggests that although there is no requirement for the council to set a local target for efficiency gains during the CSR07 period that we would be wise to do so. Following the guidance given by the CLG and taking account of a substantial carry-forward of excess efficiency gains from the 04SR period, the target figure calculated for the CSR07 period is £1.26million.

The report outlines the key areas where the government suggests council's should focus and explains how officers intend to manage and achieve the savings targets

This agenda sets us a real challenge but will keep a concentrated focus on delivering efficiencies and improving value for money, whilst enabling us to invest in priority areas.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

9. To ensure Executive Cabinet is fully aware of the council's performance against targets set for efficiency savings in the 04 Spending review period which ended 31st March, 2008
10. To ensure member support to the principle of setting a local efficiency gains target for the council during the CSR07 period.
11. To ensure members are appraised of the issues and demands presented by the continuing efficiency agenda and our strategy to achieve success

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

12. Unlike the 04 Spending Review, there are no individual targets set for council's in the CSR07 spending review period unless a target is agreed as one of the Local Area Agreement targets. A target for efficiency gains is unlikely to be included in the LAA for Lancashire.
13. The percentage targets are set for Local Government as a whole however each authority's performance will be monitored through the new National Indicator 179 'Value for Money – total net value of ongoing cash releasing value for money gains that have impacted since the start of the 2008/9 financial year. Additionally the Audit Commission Use of Resources assessment will continue to monitor performance and progress.
14. To ensure internal focus it is therefore considered essential that we set our own target for efficiency gains

CORPORATE PRIORITIES

15. 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	x

BACKGROUND

16. Chorley has made excellent progress in achieving the targets set for us by the government through the 2004 spending review. The backward looking statement for 2007/08 details our efficiency gains of £2.77 million of which £2.03 million is cashable. We are therefore considerably in excess of our £1.29 million target for the SR04 period.
17. These savings have been achieved through an ambitious change programme implemented across the Council over the past 3 years and this gives us an excellent platform to take the organisation forward through the next phase of transformation.
18. The council is now a nationally recognised performer in terms of delivering and improving value for money with the highest score of 4 achieved in both the 2006 and 2007 Use of Resources – VFM theme assessments.

19. A strategic Framework for the delivery and Improvement of VFM has guided and supported this change programme, however it is now timely to consider the new demands set by the government as part of the CSR07 and determine how we need to tackle them.

04 SPENDING REVIEW PERIOD 2005-2008

20. We have recently submitted the final statement for this period and the table below sets out across the various themes where our efficiency gains were made

	Cashable £	Non- cashable £	Total £
Efficiency Gains			
Corporate Services	791,322	46,722	838,044
Procurement	655,018	0	655,018
Productive Time	107,035	364,054	471,089
Transactions	383,718	327,189	710,907
Cultural	96,120	0	96,120
Total	2,033,213	737,965	2,771,178

21. This substantially exceeds our target of £1.29 million and is an achievement the council can be proud of. Additionally it enables us to carry forward £726,404 in cashable savings to be offset against the target calculated for the CSR07 period, which clearly relieves the burden for the coming 3 years.

THE GOVERNMENTS'S NEW EFFICIENCY REGIME

22. The Comprehensive spending review 2007 marks the next stage of the government's programme for delivering better value for money in public services. The CSR07 has 'raised the bar' to introduce a 3% per annum net cash-releasing efficiency target across the local government sector. The other major differences are that all efficiency gains must be cashable (under the 04 period cashable and non-cashable gains up to a 50-50 ratio were acceptable) the 3% target each year is now multiplicative (i.e. 3%, 6.1%, 9.3%) rather than 2.5% per annum, there is no individual target set for council's and the requirement to submit detailed annual efficiency statements has been replaced by a requirement to report their progress on achieving vfm gains through a new national indicator 179.
23. The National Improvement and Efficiency Strategy published earlier this year provides £380 million over the next 3 years to support the change programme. Its aim is to join central and local resources on value for money and improvement priorities. It will do this through Regional Improvement and Efficiency partnerships (RIEP's). The North West RIEP has now been formed with support for improvement and efficiency in the region being delivered through 5 sub-regional partnerships. Chorley is part of the Lancashire sub-region, which has been allocated funding of £1.1million in 2008/9 to support development across a variety of strategic themes including transformational government, efficiency, economic development and community empowerment and neighbourhood delivery. Similar levels of funding are anticipated in the second and third years of the partnership.
24. From April, 2009 Comprehensive Area Assessment (CAA) will replace Comprehensive Performance Assessment (CAA). This will be a significant change with the focus moving away from assessing services delivered by the council to public services delivered in an area by councils and their partners, including private and voluntary sectors. CAA will provide assurance about how well run local public services are and how effectively they use taxpayers' money so it is imperative that we continue to demonstrate that we deliver efficiency and value for money. From 2009 the Use of Resources Assessment will also form

part of the CAA. Changes to the current structure are currently out for consultation but the focus of the assessment will be broader than the current financially dominated structure with 3 themes proposed, which for district councils concentrate on the importance of sound and strategic financial management, strategic commissioning and good governance and the effective management of people.

CSRO7 – IMPLICATIONS FOR CHORLEY

- 25. As mentioned above, there is no individual requirement for each council to have an efficiency target. They will only exist as targets where they are negotiated as part of one of the 35 targets in each LAA. This is not the case in Lancashire so we must decide whether it is appropriate to set a local target for the council. My view is that we should have a target to aim for and it makes sense to set that at the same level as the government has set for the local government sector. This will help maintain our focus and determination to continue the excellent progress made over the past 3 years
- 26. The government have recognised that some, if not most, councils will want to have an efficiency gains target. Consequently they have issued ‘unofficial’ guidance on how councils might go about calculating an individual target. We have followed that advice and calculated the target for Chorley, which is summarised below;

<u>Summary</u>	<u>£</u>
Baseline	21,351,000
9.3%	1,985,643
Less c/f	(726,404)
Target	<u>1,259,239</u> over 3 years

- 27. Clearly this will be difficult to achieve however given the progress made over the past 3 years and with delivery and improvement of VFM now at the heart of service delivery we should approach the challenge with confidence of success.

THE KEY EFFICIENCY GAINS TARGET AREAS

- 28. In recent years senior management and members have played important roles in shaping and developing national and regional agendas. It is important that this policy continues as it will help us ensure we influence developments to Chorley’s advantage and secure funding to lead and drive projects initiated from the Regional and sub-regional Improvement and Efficiency partnerships. This in turn will support our drive to deliver our vfm targets.
- 29. The Government advice is that councils need to concentrate their efforts in 3 specific areas

Procurement –

- Collaborative working-shared services, shared resources, shared purchasing, shared technologies, shared delivery through effective partnerships with public, private and voluntary sectors.
- Effective procurement – competition, procurement team skills/expertise, e-procurement, incorporating the voluntary sector.

Service Transformation –

- The use of business process improvement to ensure sustained emphasis on customer focus alongside providing a high quality value for money service. Included in BPI should be an assessment of processes, systems and structures

Asset Management –

- Streamlined approach to asset management- strategic asset management and partnership working
30. We have already taken steps to see we have a platform to take us through the next phase of delivering efficiencies and value for money. Earlier this year senior management agreed a strategic themed approach to business transformation and I have set out below the strategic themes and what our approach will be using these themes against the respective government criteria listed above.

Chorley Transformation themes

Workforce Development
 Information Management
 Technology
 Procurement
 Asset Management
 Performance Management
 Customer Service Excellence

Procurement

31. A strategic procurement theme has been set up to lead the way in maximising benefits through improved procurement practice. Procurement savings have made a substantial contribution to our O4SR efficiency savings, standing at over £700k over the 3 years.
32. Arrangements for the procurement of goods and services has been significantly improved over this period and with education and training and corporate support from the procurement team we now have high standards of procurement practice in place across the Council. This has enabled us to achieve all 20 of the National Strategy milestones for District Councils.
33. Going forward our focus needs to continue to be around the strategic commissioning of services. This has worked well for us to date and through our VFM service reviews it is important that, where appropriate, options appraisal of service delivery models, is identified for consultation.
34. Our shared procurement arrangements, shortly to be implemented as part of the Shared Financial Services Partnership with South Ribble, should also provide benefits, Chorley is leading on Procurement and the merger should make it easier to maximise procurement efficiencies through joint contracting, collaborative working and using best practice across the two councils. Additionally formation of the Procurement Hub through Team Lancashire should help deliver procurement savings.
35. Shared services is very clearly the way forward and for a small council like Chorley it makes sense for us to work with partners on Team Lancashire and the Local Strategic Partnership where it makes financial and operational sense and improves the services we provide to our citizens. Additionally we should be mindful of the opportunities for generating additional income for this council by providing services and professional advice to others. We have already had considerable success in this area and further development could provide a useful income stream as well as enhancing staff skills and the council's reputation.

Service Transformation

36. Executive Cabinet have approved a 3-year programme of VFM service reviews, which commenced towards the end of last year in the Neighbourhoods directorate. The final report from the review was presented to the last executive cabinet meeting and it also helped inform the major structural review of the Neighbourhoods directorate which will realise annual savings of £70k.
37. This however is only the first stage of the transformation journey for the directorate. A business transformation plan has been produced, which over a period of 18 months will see all services re-engineered as part of the CRM implementation programme and we anticipate further opportunities to reduce costs through this process.

The review programme continues with a start in September in the council's Business directorate.

Asset Management

38. Our Asset Management Strategy and plan covering the period 2008/2010 is almost finalised. This incorporates property, land and the natural assets such as parks and open spaces that the council is responsible for managing and maintaining. The strategy will be fundamental to the council achieving its corporate objectives around equality of access, sustainability, affordable housing and health and well-being, however it will also ensure that we are utilising our asset base in the most effective manner and this is likely to deliver efficiency gains for the council.
39. A Strategic Staff Accommodation review is also underway. There has been considerable change in demand for staff accommodation in recent years and it is timely to look at future demand in the light of shared services opportunities, the need to reduce our asset base around the demands set out in the Varney report and the opportunity for staff home and mobile working. I see considerable opportunity to reduce the accommodation required for staff and this should deliver considerable efficiency savings for the council.
40. The ongoing programme of transferring community centres to community management will also continue to give us efficiency savings

Reporting and Monitoring Arrangements

41. At the highest level progress will be monitored through the 3-year period by the new National Indicator 179. This indicator in effect replaces the Annual Efficiency statements, which were in use during the 04 spending review period.

The definition of the new indicator is:

The total net value of ongoing cash releasing value for money gains that have impacted since the start of the 2008/9 financial year

42. The figure that Councils are required to report for the indicator will be the equivalent to the figure that was used in the Annual Efficiency Statements for total cumulative cashable efficiency gains achieved.

The definitions for each term used in the indicator are:

- a. **Net gains** – efficiencies should be reported net of investment and ongoing costs required for their implementation;
- b. **Ongoing gains** – if an efficiency is not sustained in full or in part in later years, then the value of the indicator must be reduced accordingly.

- c. **Cash-releasing gains** – only those efficiencies that reduce the level of resource required to achieve the same or better outputs, allowing resources to be redeployed, should be recorded; and
 - d. **Gains since the start of the 2008-09 Financial Year** – valid gains may be the result of actions taken before April 2008, but only where they impact on a Council's expenditure for the first time after 31 March 2008 (through overachievement in SR04 may also be recognised in the indicator).
43. Councils will be required to submit a figure for the VFM indicator twice in each calendar year. On the first occasion, starting from October 2008, Councils will report their *forecast* for the position at the end of the financial year. This is akin to the output of the Forward Look AES, though looking at the whole period since March 2008 rather than only the particular year in question, and will help those bodies working with Councils to identify any emerging issues early.
44. On the second occasion, starting from July 2009, Councils will report the *actual* position as at the end of the financial year that ended on the previous 31 March. This is akin to the output of the Backward Look AES. Specific deadlines for reporting on the indicator, and the method through which this will be done, are to be announced in due course.
45. Efficiency measurement will continue to be important for Councils and they will be judged on performance in this area. The Government is however seeking to reduce the reporting requirements on the basis that Councils' internal audit systems are effective in monitoring the way the organisation measures the efficiency benefits obtained from projects. In addition the Government expects that the processes for measuring efficiency will still be an area considered by external auditors appointed by the Audit Commission in the new Comprehensive Area Assessment (CAA) regime.
46. Furthermore the Government has added that *"while Councils will not be required to achieve a specific level of value for money gains, where the national indicator shows that little progress is being reported, that would be a trigger for further investigation by the local Government Office to understand the reasons why"*
47. We can conclude therefore that although the administrative burden of producing annual efficiency statements has been reduced, we will need to have a very similar preparation and evaluation process for determining efficiency statements as currently exists.

CONCLUSIONS

48. The O4 spending review period efficiency targets have been substantially surpassed but in a sense this is merely the first phase on our transformation journey.
49. The government have increased the pressure in the CSR07 period and if we follow the targets they suggest for Local Government as a whole this presents us with a £1.26 million efficiency gains target for the next 3 years.
50. It goes without saying that this will not be easy to achieve and many of the large scale corporate efficiencies have been put in place during the last 3 years, thereby reducing the availability for further savings in this area.
51. Our concentration must therefore be around ensuring services are procured by the optimum method, processes and systems are streamlined through service transformation and our assets are utilised more effectively. This should enable us to deliver on the targets and

more importantly free up resources for investment in priority areas or keeping council tax rises to the minimum.

IMPLICATIONS OF REPORT

49. This report has implications in the following areas and the relevant Corporate Directors' comments are included:

Finance		Customer Services	x
Human Resources	x	Equality and Diversity	
Legal		No significant implications in this area	

COMMENTS OF THE CORPORATE DIRECTOR OF *****

50. ***

GARY HALL
ASSISTANT CHIEF EXECUTIVE (BUSINESS TRANSFORMATION)

Report Author	Ext	Date	Doc ID
James Douglas	5203	22 nd July, 2008	***

Background Papers			
Document	Date	File	Place of Inspection
Value for Money in Local Government- meeting the challenge of CSR07	August 2007	***	Business Improvement team office, Union St
Measuring and Reporting value for money gains – DCLG guidance	January 2008		