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WIRRAL

Cabinet
Supplemental Agenda

Date:	**Thursday, 14 October 2010**
Time:	**6.15 pm**
Venue:	Committee Room 1 - Wallasey Town Hall

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AGENDA

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WIRRAL COUNCIL

CABINET

14 OCTOBER 2010

REPORT OF THE DIRECTOR OF FINANCE

DELIVERING EFFICIENCY AND MEASURING AND REPORTING VALUE FOR MONEY GAINS IN LOCAL SERVICES

1. EXECUTIVE SUMMARY

1.1 This report recommends approval of the submission of the 2010/11 estimate of the Value for Money Gains National Indicator 179 (NI179) which is required by the Department for Communities and Local Government (DCLG) by 22 October 2010.

2. INTRODUCTION

2.1 The Comprehensive Spending Review 2007 (CSR07) released in Autumn 2007 contained a number of value for money targets across the public sector. In October 2007 the DCLG published *Delivering Value For Money in Local Government: Meeting the Challenge of CSR07* which was also known as the VFM Delivery Plan. This outlined the basic measurement and reporting criteria for value for money gains and highlighted differences from the previous Annual Efficiency Statement process.

2.2 CSR07 although in overall reducing the number of performance indicators introduced a new value for money indicator NI179. This was defined as *Value for money - total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008/09 financial year.* Summarised NI179 data is submitted through a website based system called the Data Interchange Hub with an estimate for the year required each October and an actual figure for the year submitted the following July.

2.3 The CSR07 set an original target for local government, to achieve, relative to the 2007/08 baseline, total annual efficiency gains of at least £4.9 billion by 2010/11. This was subsequently increased to £5.5 billion equating to a 4% efficiency target for 2010/11. These must be cash releasing efficiencies i.e. gains where there is a direct financial saving or benefit, with resources either released to be used elsewhere or recycled within a service to deliver better outcomes.

2.4 The DCLG has provided a methodology of how each local authority should calculate its baseline expenditure. It should be emphasised though that under CSR07 there is no individual target for each local authority. Instead there is a general requirement for local government as a whole to produce 3% to 4% annual cash releasing gains.

2.5 Local authorities are currently required by the Council Tax and Non-Domestic Rating (Demand Notices) (England) (Amendment) (No. 2) Regulations 2008 to include efficiency information on Council Tax bills and within the accompanying Council Tax booklet. This information is provided by the DCLG based upon the NI179 submission.

3. ASSESSING EFFICIENCY GAINS

3.1 The Baseline expenditure

3.1.1 The Baseline expenditure was calculated from the 2007/08 local authority net revenue and capital expenditure forecasts excluding Schools and Benefits expenditure. A share of Transport Authority and Waste Disposal Authority budgets, based upon the proportionate share of the levies, was included. Capital expenditure was included within the Baseline.

3.1.2. The Wirral Baseline spend was calculated at £351.2 million producing an efficiency target of £10.5 million for 2008/09. The DCLG also allowed an alternative calculation based upon the 2007/08 outturn. For Wirral the outturn was £350.7 million which had only a marginal impact on the annual target.

3.1.3 In accordance with the projections in CSR07, as increased by the Chancellor of the Exchequer in his 2009 Budget, the cumulative efficiency targets for Wirral for future years were 6.1% of the Baseline for 2009/10 (equates to £21.4 million) and 10.3% for 2010/11 (equates to £36.5 million).

3.1.4 The DCLG also permitted local authorities to bring forward from the CSR05 efficiency regime any amounts achieved in excess of the previous target which can contribute against the CSR07 target.

3.2 Analysis of efficiency gains

3.2.1 NI179 does not require efficiency gains to be analysed across prescribed headings as was the case with the previous Annual Efficiency Statement system and there is no prescribed format for providing supporting information. The Appendix contains the composition of the forecast efficiency achievements for Wirral for 2010/11.

3.2.2 The Authority is allowed to include efficiencies achieved by bodies which place a levy upon it. The calculation therefore includes elements for efficiency gains for the Merseyside Integrated Transport Authority, based upon past performance, and for the Merseyside Waste Disposal Authority, based upon a 'best estimate'.

3.3 Assessing efficiency gains

3.3.1 The definition of ongoing cash-releasing gains relates to raising productivity and enhancing value for money. To be eligible, measures must evidence an improvement of outputs compared to inputs and not result in the deterioration in the overall effectiveness of the service. Gains can occur through:-

- Reduced inputs for the same or improved outputs.
- Reduced unit costs to meet increased demand for service.
- Increased demand for services and better income collection.
- Reallocation of inputs from a low priority to a high priority area so that the overall service effectiveness for a particular client group improves.
- Asset optimisation and the sale of surplus, formerly operational assets.
- Withstanding the impact of inflation.

3.3.2 Activity not meeting the definition of ongoing cash-releasing gains include:

- Improvements in service quality.
- Any action leading to a reduction in overall effectiveness of a service.
- Imposition of new or increased charges to the public or business.
- Reclassification of activities not changing either inputs or outputs.
- Transfer of costs and subsidies to other public sector organisations.
- Arbitrary cuts in payments to the Voluntary and Community Sector.

3.3.3 Eligible gains need to be ongoing for at least two years after first implemented and represent the potential to release resources for use elsewhere. Although improvements to service quality may be beneficial to Council Taxpayers, these cannot be counted. The NI179 calculation should be certified, and approved, by the Leader, the Chief Executive and the Chief Financial Officer of the Council. The DCLG expects that the principal measure of scrutiny will be through internal audit and assurance processes. However gains may be subject to external assessment by the Audit Commission.

3.4 Key dates in delivering and reporting

3.4.1 The timetable relating to NI179 reporting for 2010/11 is:-

Date	Action
22 October 2010	Authorities submit forecast cumulative gains for 2010/11
22 July 2011	Authorities submit actual cumulative gains

4. NATIONAL INDICATOR 179 2010/11 FORECAST

4.1 The basic principles within the NI179 framework are:-

- When setting the annual budget the Council must identify actions to improve efficiency and quantify the estimated expected gains;
- After the end of the financial year the Council must identify the impact of the actions taken for the year in question.
- Claimed efficiency gains will only be valid if service quality has been maintained.

4.2 The cumulative forecast for 2010/11 of £36.7 million will require a submission to the Data Interchange Hub by 22 October 2010. Details of how this has been calculated are shown in the Appendix. When combined with the previous years reported efficiencies Wirral is on target to meet the overall CSR target.

4.3 The 2010/11 figure includes the actual NI179 cumulative return reported for 2009/10 which showed actual cash releasing efficiency gains totalling £26.9 million. This comprised allowable gains of £8.4 million brought forward from the previous efficiency regime and £9.4 million and £9.1 million of allowable gains in 2008/09 and 2009/10. The cumulative figure was reported to Cabinet on 22 July 2010 and submitted to the DCLG in July 2010.

4.4 The cash releasing efficiencies for 2010/11 are based upon several sources. These include those efficiencies identified whilst setting the 2010/11 revenue budget and additional efficiencies generated during the year through revisions to contracts and other operational changes. However items such as increases in fee income do not meet the defined criteria under NI179 and are therefore excluded. The figures have been further refined in line with the predicted likelihood of achievement as per the monthly summary Financial Monitoring Statement for August 2010.

4.5 The year end actual figures are required to be submitted to the DCLG by 22 July 2011. These will include an inflationary adjustment that is applied to any prior year efficiencies to reflect the cumulative nature of the targets but this will not be available until the year end. Additional adjustments will be made to incorporate and apportion to departments any further general efficiencies identified and achieved within the financial year.

4.6 In determining the impact upon service delivery the Authority will use available performance data. However, the new national indicator set applicable from 2008/09 means that direct comparability with earlier years will not always be possible.

5. FINANCIAL AND STAFFING IMPLICATIONS

5.1 The cumulative NI179 return reported for the period ending 31 March 2010 showed actual cash releasing efficiency gains totalling £26.9 million. This comprised allowable gains of £8.4 million brought forward from the previous efficiency regime and £9.4 million and £9.1 million of new allowable gains in 2008/09 and 2009/10.

5.2 The NI179 forecast for 2010/11 presently shows new efficiency gains of £9.8 million although this may increase if further gains are identified before the end of the financial year. This produces a cumulative forecast total of £36.7 million. Applying the overall local government target requirement to Wirral provides a cumulative target figure for Wirral of £36.5 million.

5.3 There are no staffing implications arising directly from this report.

6. EQUAL OPPORTUNITIES IMPLICATIONS

6.1 There are none arising directly from this report.

7. HUMAN RIGHTS IMPLICATIONS

7.1 There are none arising directly from this report.

8. COMMUNITY SAFETY IMPLICATIONS

8.1 There are no specific implications arising from this report.

9. LOCAL MEMBERS SUPPORT IMPLICATIONS

9.1 There are no specific implications for any Member or Ward.

10. LOCAL AGENDA 21 IMPLICATIONS

10.1 There are none arising directly from this report.

11. PLANNING IMPLICATIONS

11.1 There are none arising directly from this report.

12. BACKGROUND PAPERS

12.1 Delivering Value for Money in Local Government: Meeting the Challenge of CSR07 - DCLG October 2007.

12.2 Measuring and Reporting Value for Money Gains - DCLG October 2008.

13. RECOMMENDATIONS

13.1 That the Value for Money Gains National Indicator 179 cumulative estimate for 2010/11 of £36.7 million be approved for submission to the DCLG.

13.2 That a further report be brought to Cabinet in June 2011 on the final NI179 position at 31 March 2011 due for submission to the DCLG in July 2011.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/202/10

APPENDIX

NI179 ONGOING CASH RELEASING VALUE FOR MONEY GAINS

FORECAST 2010/11

Adult Social Services	**£**
Assistive Technology	1,600,000
Integrated Transport Unit/Transport Costs	580,000
Restructure of Management/Administration	100,000
Transport	180,000
Departmental Share of Energy Contract Tendering Savings	131,000
Inflation Contained on Residential Nursing Contracts	780,000
Children and Young People	
Connexions Contract	295,000
Residential Care	280,000
Parenting and Prevention Pooling of Resources	177,000
Departmental Share of Energy Contract Tendering Savings	61,000
Finance	
Information Technology Management	170,000
Procurement Contracts	560,000
Departmental Share of Energy Contract Tendering Savings	57,000
Law, Human Resources and Asset Management	
Departmental Share of Energy Contract Tendering Savings	65,000
Former Regeneration	
Supporting People Contracts (full year effect)	477,000
Departmental Share of Energy Contract Tendering Savings	336,000
Technical Services	
HESPE Contract	80,000
Departmental Share of Energy Contract Tendering Savings	115,000
Other	
Procurement/Area Based Grant Containment	2,000,000
Merseyside Integrated Transport Authority	900,000
Merseyside Waste Disposal Authority	200,000
Council Restructuring after EVRs	680,000
Total Cash Releasing Value For Money Gains 2010/11	**9,824,000**
Total Cash Releasing Value For Money Gains 2009/10	**9,077,000**
Total Cash Releasing Value For Money Gains 2008/09	**17,839,000**
Cumulative Cash Releasing Value For Money Gains 2010/11	**36,740,000**

WIRRAL COUNCIL

CABINET

14 OCTOBER 2010

REPORT OF THE DIRECTOR OF FINANCE

CENTRALISATION OF FINANCE SERVICES

1. EXECUTIVE SUMMARY

1.1. This report recommends the extension of the principles of centralisation across the Council. It should be considered in conjunction with the report by the Deputy Chief Executive on Interim Management Arrangements elsewhere on this agenda.

2. BACKGROUND

2.1. Following the agreement of Cabinet on 22 July 2010 to centralise Human Resources and Organisational Development within the Council this is being undertaken including the provision of these functions in Adult Social Services.

2.2. Due to the history of overspending the budget in Adult Social Services, together with a substantial projected overspend again in 2010-11, the Leader of the Council requested a review of financial management in that Department.

3. ADVANTAGES OF CENTRALISATION

3.1. The benefits of a centralised approach to support services are:

- a standardisation of process,
- a pooling of resources, leading to
- reduced cost.

3.2. In respect of financial services there are a number of principles which need to underpin any changes.

- Responsibility and accountability for expenditure remains with the Service Chief Officer as detailed within the Council Constitution.
- Effective financial control works best when financial advice is integrated at an operational decision making level.
- There must be a common understanding of the respective roles of each department, but this should not be a formal contractual relationship.
- The Council currently faces a number of challenges including the financial position. There are also specific challenges for individual services. Therefore, the timing of any changes is critical to ensure that services can move forward within this context.

4. FINANCIAL FUNCTIONS

4.1 The financial functions of the Council include:

a) Financial services (accountancy, risk and insurance)
b) Income
c) Procurement
d) Payments

4.2 The degree of centralisation for these services varies from department to department for reasons such as location or the nature of the front-line service provided.

4.3 Other corporate financial services are already centralised within the Finance Department. These include:

a) Taxation
b) ICT Services
c) Audit
d) Customer Services
e) Pensions

4.4. The conclusion of the review is that management of the financial functions listed in paragraph 4.1 should be transferred to the Finance Department.

4.5. The financial functions currently in DASS which would transfer to the Finance Department are:

- Accountancy (to ensure optimum use of corporate finance resources and provide consistency in financial management.)
- Purchasing and contracts (to enable the implementation of a commissioning framework to the major service reviews in DASS included in the Strategic Change Programme.)
- Income (to establish closer alignment with benefits & assessment)

5. FINANCIAL IMPLICATIONS

5.1. There are none arising directly from the report at this stage.

6. STAFFING IMPLICATIONS

6.1. There are none arising directly from the report at this stage.

7. EQUAL OPPORTUNITY IMPLICATIONS

7.1. There are none arising directly from this report.

8. **COMMUNITY SAFETY IMPLICATIONS**

8.1. There are none arising directly from this report.

9. **HUMAN RIGHTS IMPLICATIONS**

9.1. There are none arising directly from this report.

10. **LOCAL AGENDA 21 IMPLICATIONS**

10.1. There are none arising directly from this report.

11. **PLANNING IMPLICATIONS**

11.1. There are none arising directly from this report.

12. **MEMBER SUPPORT IMPLICATIONS**

12.1. There are none arising directly from this report.

13. **BACKGROUND PAPERS**

13.1. None were used in the preparation of this report.

14. **RECOMMENDATIONS**

14.1 That Cabinet agrees to transfer management of the financial functions outlined to the Finance Department.

14.2. That a further report be presented to Cabinet on the details of implementation.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/201/10

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