WIRRAL COUNCIL

CABINET

25 JUNE 2009

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 Value for Money Gains National Indicator 179 (NI179) which is required to be with the Department for Communities and Local Government (DCLG) by 24 July 2009. NI 179 is the successor to the Annual Efficiency Statement (AES).

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 As part of the CSR a new and significantly reduced number of performance indicators was introduced. These included NI179 which 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.* In line with the Government policy of reducing the administrative burdens on local government the DCLG no longer requires local authorities to produce an Annual Efficiency Statement (AES). Summarised NI179 data is submitted through a website based system called the Data Interchange Hub. An estimate for the year is required each October with the actual figure for the year submitted the following July.

2.3 CSR07 set a target for local government, to achieve, relative to the 2007/08 baseline, total annual efficiency gains of at least £4.9 billion by 20010/11. This equates to cash releasing gains of 3% per annum and unlike the previous system there is no scope to include non-cash releasing items. The cash releasing efficiencies are gains where there is a direct financial saving or benefit, with money released that could be spent elsewhere or recycled within a service to deliver better outcomes.

2.4 Whilst every council was required to achieve efficiency savings it was not the intention that efficiencies cut services for users but that they were found by operating the business using a best business practice approach. Under CSR07 there is no individual target for each local authority but the requirement is for local government as a whole to produce 3% annual cash releasing gains. DCLG has however provided details of how to calculate the baseline expenditure.

2.5 In December 2008 the DCLG issued the Council Tax and Non-Domestic Rating (Demand Notices) (England) (Amendment) (No. 2) Regulations. These require local authorities to include efficiency information on Council Tax bills and within the accompanying Council Tax booklet from the 2009/10 billing round. This information is 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 Passenger Transport Authority and Waste Disposal Authority budgets, based upon the proportionate share of the levies, is included. Under the new efficiency regime capital expenditure is now 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 allows an alternative calculation based upon the 2007/08 outturn. For Wirral the outturn was £350.7 million which has only a marginal impact on the annual target.

3.1.3 In accordance with the projections in CSR07the cumulative efficiency targets for future years are 6.1% of the Baseline for 2009/10 (equates to £21.4 million) and 9.3% for 2010/11 (equates to £32.7 million).

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 Annual Efficiency Statement nor is there a prescribed format for providing any supporting information. The Appendix contains the analysis for Wirral which is broadly in line with the AES format using departments rather than service categories.

3.2.2 Efficiency gains from the Passenger Transport and Waste Disposal Authorities have been apportioned in accordance with the levy.

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 2008/09 is:-

Date	Action
24 October 2008	Authorities submit forecast cumulative gains for 2008/09
24 July 2009	Authorities submit actual cumulative gains
September 2008	Audit Commission report findings as part of CAA

4. NATIONAL INDICATOR 179 2008/09 FORECAST

4.1 The basic principles within the NI 179 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 forecast for 2008/09 of £16,067,000 was submitted to the Data Interchange Hub in October 2008. This is substantially above the baseline requirement as it comprised cash releasing efficiencies within 2008/09 plus a large element relating to previous efficiencies.

4.3 In recognition of the significant gains made within the 2004 Spending Review period the DCLG allowed authorities who exceeded the 2004 cash releasing efficiencies target to carry forward the amount of the excess above the target into the CSR07 period.

4.4 The cash releasing efficiencies for 2008/09 were based upon those included within the 2008/09 revenue budget adjusted for those items (e.g. increases in fee income) which although producing benefits did not meet the defined criteria under NI179. The figures were refined in line with the predicted likelihood of achievement as per the monthly summary financial monitoring statement for September 2008.

4.5 In determining the impact upon service delivery the Authority has used available performance data. However, the new national indicator set from 2008/09 means that direct comparability between years has not always been possible.

5. NATIONAL INDICATOR 179 ACTUAL 2008/09

5.1 The Appendix sets out the Council strategy and provides details of the efficiencies achieved during the year. It also explains the linkages with partner agencies both through the Local Area Agreement, and through the provision of joined up customer services. It states the Council commitment towards improving its priority areas as well as keeping Council Tax at affordable levels with service re-engineering the key to identifying resources for re-allocation.

5.2 The actual efficiencies for 2008/09 were £17,589,100. These are above the forecast figure and also well ahead of the target of £10.5 million essentially because the first year performance was boosted by the inclusion of the surplus efficiencies from the previous efficiency regime.

5.3 The key areas and issues for 2008/09 were:-

a. The various budget options included efficiencies from working with others as well as savings packages that encompassed increased income or the use of Government grants. The latter items, and some of the savings identified, were outside the scope of eligible efficiencies.

b. Although inflationary increases were awarded in the year these did not always cover contractual increases including agreed pay awards.. Therefore to ensure the same level of outputs efficiencies were required from other areas.

c. Continuing progress on Risk Management and Treasury Management initiatives resulted in significant resources being released during the year.

d. Information received from Merseytravel and the Merseyside Waste Disposal Authority is incorporated. Final details are awaited and will be included if received before the submission date.

6. FINANCIAL AND STAFFING IMPLICATIONS

6.1 The calculated target for Wirral was to achieve efficiency savings of £10.5 million for 2008/09.

6.2 The actual for 2008/09 shows cash releasing efficiency gains totalling £17.6 million. This comprises allowable gains of £8.1 million brought forward from the previous efficiency regime and £9.5 million of new allowable gains.

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

7. EQUAL OPPORTUNITIES IMPLICATIONS

7.1 There are none arising directly from this report.

8. HUMAN RIGHTS IMPLICATIONS

8.1 There are none arising directly from this report.

9. COMMUNITY SAFETY IMPLICATIONS

9.1 There are no specific implications arising from this report.

10. LOCAL MEMBERS SUPPORT IMPLICATIONS

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

11. LOCAL AGENDA 21 IMPLICATIONS

11.1 There are none arising directly from this report.

12. PLANNING IMPLICATIONS

12.1 There are none arising directly from this report.

13. BACKGROUND PAPERS

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

13.2. Measuring and Reporting Value for Money Gains – DCLG October 2008.

13.3. Council Tax and Non Domestic Rating Demand Notices England Amendment Regulations – DCLG December 2008.

14. RECOMMENDATIONS

14.1. That the Value for Money Gains National Indicator 179 submission be approved.

14.2 That the Director of Finance be authorised to make any amendments to include information received from Merseytravel and the Merseyside Waste Disposal Authority prior to submission.

14.3 That a further report be brought to Cabinet on the 2009/10 NI 179 estimate which will be due for submission in October 2009.

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DIRECTOR OF FINANCE

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