

WIRRAL COUNCIL

CABINET

24 SEPTEMBER 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 2009/10 estimate of the Value for Money Gains National Indicator 179 (NI179) which is required by the Department for Communities and Local Government (DCLG) by 23 October 2009.

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 The CSR introduced a new and significantly reduced number of performance indicators including 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 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 a 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 equated 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 Subsequent to the CSR07 the Chancellor of the Exchequer announced in his 2009 Budget that the efficiency target for the public sector would increase in 2010/11 and for local government the overall target was increased to £5.5 billion which represents a required efficiency target of 4% for 2010/11.

- 2.5 It is emphasised that under CSR07 there is no individual target for each local authority but the requirement is for local government as a whole to produce 3% to 4% annual cash releasing gains. However, the DCLG has provided details of how each local authority can calculate the baseline expenditure.
- 2.6 In December 2008 the DCLG issued the Council Tax and Non-Domestic Rating (Demand Notices) (England) (Amendment) (No. 2) Regulations. These required local authorities to include efficiency information on Council Tax bills and within the accompanying Council Tax booklet from 2009/10. This information is provided by the DCLG and 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. Under the new regime 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 are 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 Annual Efficiency Statement nor is there a prescribed format for providing any supporting information. The Appendix contains the composition of the forecast efficiency achievements for Wirral for 2009/10.
- 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 includes:

- 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 2009/10 is:-

Date	Action
23 October 2009	Authorities submit forecast cumulative gains for 2009/10
23 July 2010	Authorities submit actual cumulative gains
December 2010	Audit Commission report findings as part of CAA

4. NATIONAL INDICATOR 179 2009/10 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 2009/10 of £24.6 million will require submitting to the Data Interchange Hub by 23 October 2009. 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 2009/10 figure includes the final NI179 return reported for 2008/09 which showed actual cash releasing efficiency gains totalling £17.8 million. This comprised allowable gains of £8.4 million brought forward from the previous efficiency regime and £9.4 million of new allowable gains in 2008/09. The 2008/09 figure reported to Cabinet on 25 June 2009 was £17.6 million and further information from the DCLG and the Transport Authority increased the figure prior to the formal submission of the NI179 figure on 24 July 2009.
- 4.4 The cash releasing efficiencies for 2009/10 are based upon several sources. These include those efficiencies identified whilst setting the 2009/10 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 which produce benefits do not meet the defined criteria under NI179 and are excluded. The figures have been further refined in line with the predicted likelihood of achievement as per the monthly summary Financial Monitoring Statement for July 2009.
- 4.5 The year end actual figures are required to be submitted to the DCLG by 23 July 2010. 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. Further adjustments may also be made for further efficiencies identified by departments as the year progresses.
- 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 final NI179 return reported for 2008/09 showed actual cash releasing efficiency gains totalling £17.8 million. This comprised allowable gains of £8.4 million brought forward from the previous efficiency regime and £9.4 million of new allowable gains in 2008/09.
- 5.2 The NI179 forecast for 2009/10 presently shows new efficiency gains of £6.8 million although this may increase if further gains are identified before the end of the financial year. The cumulative performance for the first two years of the CSR07 period is therefore £24.6 million against the target of £21.4 million. By the end of 2010/11 the target is increased to £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.

12.3 Council Tax and Non Domestic Rating Demand Notices England Amendment Regulations - DCLG December 2008.

12.4 Budget 2009: Building Britain's Future - HM Treasury April 2009.

13. RECOMMENDATIONS

13.1 That the Value for Money Gains National Indicator 179 cumulative estimate for 2009/10 of £24,634,000 be approved for submission to the DCLG.

13.2 That a further report be brought to Cabinet in June 2010 on the final NI179 figure for 2009/10 which will be due for submission to the DCLG in July 2010.

IAN COLEMAN
DIRECTOR OF FINANCE

APPENDIX

NI179 ONGOING CASH RELEASING VALUE FOR MONEY GAINS

FORECAST 2009/10

	£
Adult Social Services	
Transport Service out to tender	180,000
In-House Supported Living out to tender	347,000
Fair Price model of Supported Living	650,000
Review of administrative support	100,000
Reduction in residential and nursing fees	1,000,000
Children and Young People	
Facilities management	25,000
Reconfiguration of the Youth Service	150,000
Delete posts held vacant for more than 12 months	80,000
Finance	
Information technology services	100,000
I.T.S. hardware review	50,000
Housing and Council Tax Benefit - improved use of technology	600,000
Student awards no longer processed in One Stop Shops	50,000
Review of cash handling	10,000
Corporate procurement efficiencies	750,000
Additional income from Wirral Partnership Homes	140,000
Law, Human Resources and Asset Management	
Reduction in costs as a result of the new pay structure	40,000
Reorganisation of EAT, RAT and Payroll	85,000
Second phase of Legal and Democratic Services	40,000
Increased income from Registrars	47,000
Regeneration	
Conference and seminar attendance	10,000
Reduction in training	28,000
Maximise external grant	107,000
Reduction in advertising	10,000
Review of administration	138,000
Improve mobile cleaning of toilets	70,000
Supporting People Renegotiated contracts	100,000
Technical Services	
Source alternative funding for Christmas lights	30,000
Delete consultancy budget not required for HESPE exercise	26,000
Align School Crossing Patrols with DfT guidelines	50,000
Delete publicity budget for waste control	45,000
HESPE exercise	320,000
Street Lighting Contract	317,000

Other	
Merseyside Waste Disposal Authority	200,000
Merseyside Integrated Transport Authority	900,000
Total Cash Releasing Value For Money Gains 2009/10	6,795,000
Total Cash Releasing Value For Money Gains 2008/09	17,839,000
Cumulative Cash Releasing Value For Money Gains 2009/10	<u>24,634,000</u>