

APPENDIX I

WAVERLEY BOROUGH COUNCIL

EXECUTIVE – 2 FEBRUARY 2010

Title:**WAVERLEY'S VALUE FOR MONEY TARGET****[Portfolio Holder: Cllr Mike Band]****[Wards Affected: N/A]**

Summary and Purpose

This report updates Waverley's Value For Money Strategy in the light of the guidance issued by the Government under its Comprehensive Spending Review.

How this report relates to the Council's Corporate Priorities

Value for Money is at the heart of Waverley's Corporate Objectives and affects all services.

Equality and Diversity implications

It is important that achieving efficiency targets is not done at the expense of front-line services, particularly those that benefit Waverley's most vulnerable or disadvantaged residents.

Resource and legal implications

There are potentially resource implications arising from the Government's efficiency review and these are explained within the report. This report should be considered in conjunction with the budget setting report, also on this agenda. Achieving efficiencies is an essential element of Waverley's budget strategy and the efficiencies referred to in this report help towards balancing the budget each year against other financial pressures.

The Government's new efficiency regime and its impact on Waverley are explained in this report. Money that Councils release through improving value for money and achieving efficiency gains are retained by them for reinvestment in services or for holding council tax levels down, according to each authority's local priorities. Whilst the grant settlement does not specifically identify a reduction for assumed efficiency gains, the Government reports that 'the overall settlement has been determined by considering both the cost pressures and opportunities for further efficiency in local government'

Introduction

1. Each February since 2005, Members have approved the Council's Efficiency Strategy, now referred to as the Value For Money Strategy. This Strategy was required under the Government's 'Gershon' efficiency agenda which stemmed from the Comprehensive Spending Review 2004 (CSR04). This Statement is

a corporate strategy that integrates with Waverley's Financial Strategy and Procurement Strategy.

2. In February 2008, officers reported to Members on the Government's proposals for the second phase of its efficiency regime in local government. The detailed guidance was published late in 2008 following the publication of the Comprehensive Spending Review 2007 (CSR07). This report reminds Members of the details of the new scheme and presents a draft Strategy for value for money efficiency gains covering the period 2008/09 to 2010/11.

Background

3. Waverley has a long record of prudent financial management, effective budgetary control and good asset management planning. Waverley has a well-established medium-term Financial Strategy which incorporates the impact of the key factors on the Council's finances.
4. In recent years Waverley has had to achieve a difficult balance each year between agreeing a prudent and sustainable budget and setting a council tax level that is considered to be reasonable and not excessive. To achieve this balance, Waverley has had to make significant reductions each year in its budgets. These reductions have been a combination of cost cuts, efficiency savings, additional income and changes to the use of balances.
5. Under the previous CSR04 'Gershon' regime, the Government required local authorities to achieve a 2.5% per annum improvement on their 2004-05 baseline, of which at least half had to be "cashable". The Government calculated Waverley's target as being £1.6million over the period 2005-06 to 2007-08 inclusive. Waverley significantly exceeded this target.

The Government's new Value For Money Regime

6. The new regime covers Value for Money gains over the 3-year period 2008-09 to 2010-11. Council performance is now measured using a Value For Money indicator (NI179) that must be reported to the Government twice each year, once in October to report the forecast for the coming year and once in July to report the actual gains achieved in the previous year.
7. The Government no longer sets a target but leaves each authority to calculate its own based on a specified formula. The headline savings target is 3% each year and the target is now multiplicative (ie. 3%, 6.1%, 9.3%). Waverley can count its 'over achievement' of cashable savings in the CSR04 period against its CSR07 target provided that these savings continue to be realised up to the end of 2010/11. This figure is £585,000. However, the individual efficiency measures achieved in the CSR04 period, such as the savings achieved in the procurement of the environmental services contract, cannot continue to be counted in the CSR07 period.

Calculation of Government Target

Waverley's indicative target for the 3-year CSR07 period is based on the 2007/08 approved budget and is calculated as follows:

Total Net Service Expenditure (2007/08 Budget)	£14.5m
Plus Total Capital Expenditure (Average SR04 period)	£ 9.5m
Total baseline	£ 24m

Year	2008/09 £000	2009/10 £000	2010/11 £000
Target (% of 2007-08 baseline)	3%	6.1%	9.3%
Expected Gains (cumulative)	£720	£1,460	£2,230

Waverley's Target (ignores inflation)

Year when the gains impact	2008/09 Actual £000	2009/10 Estimate £000	2010/11 Estimate £000
In SR04	£585 ongoing	£585 ongoing	£585 ongoing
In 2008/2009	£291 new gains	£291 ongoing	£291 ongoing
In 2009/2010		£654 new gains	£654 ongoing
In 2010/2011			£700 new gains
Cumulative total	£876	£1,530	£2,230

8. The savings are cumulative and Waverley will need to report £2.2million of value for money gains by the end of the 3-year period.
9. Whilst there are no penalties imposed by the Government for not achieving the efficiency target, the Government expects local authorities to achieve this level and the Audit Commission will raise any concerns it has with the Council in its Annual Audit Letter and its annual Use of Resources assessment. The Government also introduced a new requirement from 2009/10 for councils to include details of value for money gains achieved on its council tax bills and in the accompanying leaflet.

How is a Value For money gain defined?

10. Efficiency is not about making cuts, but about raising productivity and enhancing value for money. Cashable efficiency gains are those that enable a release of resources for reallocation elsewhere eg. from back-office to frontline services. In other words, getting more or the same for less money. Efficiencies can be across the General Fund and the HRA and made from capital and revenue expenditure. Where we gain in efficiency, we must be able to demonstrate that there is no loss in quality of service. The following summarises the key requirements:

Eligible Gains

- Reduced inputs for the same or improved outputs
- Reduced unit costs to meet increased demand for service
- Increased demand for service and better income collection
- Reallocation of inputs from a lower priority to a high priority area so that overall service effectiveness for a particular client group improves

- Asset optimisation and the sale of surplus, formerly operational, assets.
- Withstanding the impact of inflation

Ineligible Activities

- Improvements in service quality for the same or greater inputs
- Any action that leads to a reduction in overall effectiveness of a service
- Imposition of new or increase charges to the public or businesses
- Reclassification of activities which don't change inputs or outputs
- Transfer of costs and subsidies to other public sector organisations
- Arbitrary cuts in payments to the voluntary sector

Other Issues

- Gains must be reported net of additional investment or ongoing costs
- Gains must persist for at least two years after they are first achieved
- Gains must release resources that can be redeployed according to local priorities
- Gains counted must have their first financial impact after the start of 2008/2009

Meeting the Value For Money target in 2008 to 2011

11. The Council has taken a number of steps to ensure the continuation of its value for money strategy, including the recent appointment of a new strategic director who will head the service improvement programme. This programme will be supported by a service improvement team, comprising a range of officers from across the Council, that will seek to identify and implement changes to deliver efficiencies and cost savings. Also, the work triggered by the Star Chambers in 2007, 2008 and 2009, has brought about reviews and scrutiny of many service areas.
12. The Star Chamber process for the 2009/2010 Budget year identified significant savings on the General Fund. Some of these savings were budget cuts and would not, therefore, meet the criteria for being included in the reported VFM gains. Some savings also had one-off costs associated with them which have to be fully offset by the revenue saving before the ongoing gain can be counted. The exact timing and cash saving of Value For Money gains achieved in 2009/10 need to be calculated at the year end and the eligibility criteria needs to be rigorously applied to each gain counted against the target as this calculation is audited by the Audit Commission. Officers are confident that the 2009-10 target for new gains of £654,000 will be exceeded from the Star Chamber changes and other savings achieved in the year.
13. Achieving the 2010/11 target of a further £700,000 of new gains is very challenging. The Star Chamber process for the 2010/2011 Budget year has identified a further £0.9m of savings and, again, each of these items will be tested against the eligibility criteria and the value for money saving will be calculated. Following the approval of the budget, officers will calculate the extent to which the 2010/11 target is likely to be achieved and report back to Members later in the year when the Medium Term Financial Strategy is reviewed. At this stage, officers are confident that the overall three-year target of £2.23million will be achieved by 31 March 2011.

14. The following are some of the key considerations for the Heads of Service Team to ensure that Waverley's Value For Money target is achieved:
- Raising awareness of value for money amongst staff and members
 - Improving the communication of value for money to the community in Waverley's services
 - Improving the link between Value For Money Strategy and service planning, including the Star Chamber reviews
 - Analysing of Waverley's costs in relation to others, taking account of local circumstances and priorities
 - Linking with Procurement Strategy and IT Strategy formulation
 - Identifying opportunities for Value For Money gains in major projects underway eg. East Street, Leisure Procurement
 - Developing opportunities to work in partnership with other local authorities and organisations including Surrey First.
15. Heads of Service have value for money targets in personal appraisals and Job Descriptions have been updated to reflect managers' responsibilities to deliver good value for money in the provision of their services.

Recommendation

That the Executive note the progress to date on the Council's Value For Money Strategy and endorse the actions proposed in the report to ensure that the target is met over the three-year period 2008 to 2011.

Background Papers (DCEX)

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

CONTACT OFFICER:

Name: Graeme Clark **Telephone:** 01483 523236
E-mail: graeme.clark@waverley.gov.uk