

EXETER CITY COUNCIL

SCRUTINY RESOURCES 17 JUNE 2009

**EXECUTIVE
29 JUNE 2009**

DELIVERING VALUE FOR MONEY

1. PURPOSE OF THE REPORT

- 1.1 To report on the Council's performance in trying to achieve value for money cash efficiency savings for the previous (2008/09) financial year.

2. BACKGROUND

- 2.1 The Government previously set every local authority a target for efficiency gains of 2.5 per cent for each of the 3 years of the 2004 Spending Review (SR04) period covering 2005/06 to 2007/08. Local Government was set an overall target of achieving efficiency savings of £6.45 billion by 2007/08. A key point of this overall target was that at least one-half of efficiency gains should be "cashable" where these can be defined as those where there is a direct financial saving or benefit, with money released that can be spent elsewhere or recycled within a service to deliver better results. The remainder of the gains could be "non-cashable" where the gains do not necessarily lead to lower costs, but which lead to improved performance for the resources used. By the end of the 3 year period ending 2007/08, Local Government had comfortably exceeded the target that it had been set. Exeter City Council significantly exceeded its own target by identifying cumulative savings of £3,211,802 of which £2,136,504 were cashable. The target that it had been set to achieve was £1.476 million of which £738,000 would be 'cashable' efficiency gains.
- 2.2 In the 2007 Comprehensive Spending Review (CSR07), the Government set out even harder efficiency targets to be achieved. All public services were set a target of achieving at least 3% net cash-releasing value for money gains per annum over the period 2008/09 to 2010/11 with Councils expected to achieve £4.9 billion cash-releasing efficiencies by 2010/11. However In the Chancellor's most recent budget statement on 22 April 2009 he announced increased targets for efficiency savings in 2010/11 across the public sector. Councils in England will now be expected to deliver 4% savings in 2010/11 – an additional 1% on top of the 3% originally envisaged in CSR07. As a result, the efficiency target for the whole of the CSR07 period is now £5.5 billion.
- 2.3 Individual councils are no longer required to have an efficiency target unless agreed as one of the Local Area Agreement targets. This is a change from the previous regime for achieving and recording value for money. The approach now taken by the Government means that there will not be a mandatory efficiency target for each council. While there is a target for 3% per annum cash-releasing value for money gains for the sector overall it will not be cascaded down to every council.

3. MEASURING AND ASSESSING EFFICIENCY GAINS

- 3.1 National Indicator 179, one of the indicators in the new National Indicator Set, is the mechanism through which councils report their progress on achieving value for money gains in CSR07. It replaces the Annual Efficiency Statement (AES) in use for the SR04 period. The definition of NI179 is:

The total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008/09 Financial Year

- 3.2 The key elements of the value for money indicator are its focus on:

- Net gains – efficiencies should be reported net of investment and ongoing costs required for their implementation;
- Ongoing gains – if an efficiency is not sustained in full or in part, then the value of the indicator must be reduced accordingly;
- 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
- Gains since the start of 2008/09 – 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.

- 3.3 As in SR04, a value for money gain will be valued by comparing performance with that in the previous (or baseline) year, in particular how much resource has been freed up while maintaining the overall effectiveness of service delivery. This principle, and others determining what can be counted as an eligible gain and their evaluation, will continue to be set out in the measurement guidance issued by Government.
- 3.4 Councils will be required to submit a figure for the value for money 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. 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 31st March. This is akin to the output of the Backward Look AES.
- 3.5 To recognise the success of councils in making gains to date, the value of any cash-releasing efficiencies reported by councils in the SR04 period that are over and above 7.5% of their 2004/05 baseline expenditure will be counted towards the CSR07 target insofar as they remain ongoing. Councils should include the appropriate value as part of the reported level of their value for money indicator. For Exeter, the value of the cashable gains brought forward from CSR04 is £680,087.

4. NI179 DEADLINES

- 4.1 As with other national indicators, NI179 will be reported electronically to the Government through a mechanism known as the Data Interchange Hub. Data on NI179 must be submitted by the following dates:

Date	NI179 Coverage
24 October 2008	2008/09 Forecast cumulative gains
24 July 2009	2008/09 Actual cumulative gains
23 October 2009	2009/10 Forecast cumulative gains
23 July 2010	2009/10 Actual cumulative gains
22 October 2010	2010/11 Forecast cumulative gains
22 July 2011	2010/11 Actual cumulative gains

- 4.2 Work is continuing up to the submission date of 24th July to try to identify and maximise efficiencies achieved during 2008/09. A draft schedule showing the likely identified cash savings is attached in Appendix 1.

5. RECOMMENDATION

It is recommended that:

- 5.1 The contents of this report are noted and the identified savings in the draft 2008/09 schedule are included as part of the Council's overall submission for National indicator 179.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)
Background papers used in compiling this report:

None