

**SEARCHING FOR BEST VALUE**

**LEAD MEMBER:** Councillor Peter Connolly  
**REPORT AUTHOR:** Neil White, Scrutiny Officer

**Recommendation:** that Council and the Executive be advised that this Committee considers that:

- (A) an initial financial appraisal should be undertaken to see the policy impacts of adopting one of three following models:**

**Model (1) This means that Council resources are only spent or invested on those services we have to provide by law.**

**Model (2) Service Managers produce departmental service plans for April 2009 on a self assessment basis of their services to include a description of:**

- **Statutory duties currently being delivered (Ranked as essential)**
- **The Contribution to Council priorities as outlined in the corporate plan (Ranked as very important)**
- **The Fit for purpose activities that are being delivered (Comprehensive Area Assessment, Use of Resources, probity, Ethical Governance, Corporate Governance etc.) (Ranked as important)**
- **What Plans there are for achieving efficiency savings and income opportunities**
- **Ideas for doing things differently and transformation**
- **How well Value for Money is being achieved (performance/cost/customer satisfaction)**
- **What the minimum requirement for the service would be and the risks of downsizing.**
- **Ideas for doing things differently and transformation**

**This would update the service review in 2006 that detailed the statutory and discretionary elements of each department's services.**

**A Member/Officer Working Group be set up to consider the service plans and to manage the process of identification and realisation of specific efficiency savings.**

**The corporate approach to seek significant efficiencies across departments be continued in conjunction to the departmental approach highlighted above subject to the corporate approach also:**

- **Ensuring that the investigation of shared service was internal and external**
- **Looking at the use of flexible working, and**
- **Looking at a suggestion/reward scheme for members of staff.**

**Model (3) The Council reviews the minimum requirement by laws for mandatory services to release more funding for discretionary services (Council priorities) and produce a revised budget,**

**(B) Model 2 above is in principle the preferred model with model 1 being seen as a model of last resort, and**

**(C) to enable a final decision to be made the committee would expect to have a chance to look at and consider at least the following information before making that decision:**

- **An identification of all the services that are run by the council**
- **An analysis of the discretionary and statutory elements of each of those services**
- **The budgetary costs from that analysis of the discretionary and statutory elements of each of those services**
- **How much land is still owned by the council, the estimated value of it and the revenue implications of owning that land**
- **A SWOT and risk analysis of each of the models**
- **An analysis of those services where we are high spenders – and the reasons for this**
- **the correlation between expenditure and levels of performance and satisfaction for the Council's services - and the reasons for any variations**
- **which specific areas require further analysis and why, and**
- **what ad hoc or one off sources of funding are available.**

## **1. BACKGROUND**

The Committee will recall that it agreed to establish a new task and finish group to look into Searching for Best Value.

The membership of the task and finish group was: Councillors P Connolly, Mrs Y R T Clarkson, J Kane and R Pitt.

The Task and Finish Group met on four occasions and heard evidence from Liam Murphy (Chief Executive), Hilary Mitchell (Head of Policy and Performance) and Richard Quayle (Performance Improvement Manager).

## **2. EVIDENCE**

The Group also considered written evidence. This was:

### **A. COPELAND REVIEW**

#### **(1) Report from Head of Policy and Performance on Searching for Best Value – Policy Framework**

This report stated that “Copeland Borough Council must seek improved value for money in carrying out its functions for reasons of local need and national imperatives.

The Council’s Vision for the period of the current Corporate Plan is:

“Leading the transformation of West Cumbria to a prosperous future.”

In the three separate exercises in 2007/8 the public in Copeland was asked about their priorities for improving the quality of life in Copeland. The top six priorities were:

- Providing high quality, clean streets and open spaces
- Ensuring the area has good roads and good quality public transport
- Creating enough different jobs to suit all
- Making Copeland a safer place to be
- Improving skills and education and keeping people with skills in Copeland
- Giving everyone good customer service.”

The report detailed a number of challenges locally and nationally that the Council would face as well as available sources of support.

It also dealt with a possible strategy for the council achieving Best Value. It stated that “Copeland Borough Council is like most other local authorities in

seeking to improve its value for money. In order to meet the challenges of the Council's current position, local and national, change is required – in some cases radical change.”

Furthermore that, “the Council has a range of services and functions operating in different ways with different groups of customers and stakeholders. Services need vision and support in setting out plans to achieve best value. Services also need information about current performance, and must set targets to achieve greater value for money. It is impossible to specify an approach to meeting the challenges of every service, as the legal basis and parameters of each service vary widely.

However the Council needs to decide how to maximise efficiency and achieve best value in managing its services, in particular by identifying the right business model. This involves doing an initial financial appraisal to see the policy impacts of adopting one of three models.

- Model A) This means that Council resources are only spent or invested on those services we have to provide by law.
- Model B) This means that we prioritise Council resources for those services we are required to deliver by law and with the remaining resource we then prioritise funding for discretionary services, i.e. on the Council's own priorities.
- Model C) We review the minimum requirement by laws for mandatory services to release more funding for discretionary services (Council priorities) and produce a revised budget.

## **(2) Copeland Review of Medium Term Revenue Strategy – Report to resource Planning Working Group 14 August 2008**

This report clearly showed the financial problems that the Council would be faced after 2010/11. The next 3 years of Council budgets showed that expenditure outstripped the council's income. The difference in income would be matched during those years by taking funds from the council's reserves.

After those three years the council would no longer be allowed by the auditors to use any more of the council's reserves leaving a sizeable gap between income and expenditure. In light of this, the Group agreed with the Chief Executive that it would be prudent at this stage for the council to address this issue and introduce a model for achieving Best Value across the council.

The Group felt that it might be able to add value to the Executive and the Council in considering this issue if it were to look at such possible models and recommend 3 for consideration. It would also be useful to recommend and an

in principle model and suggest what information officers could provide to enable a final decision to be made.

As a result of this the Group considered some additional evidence.

## **B. OTHER AUTHORITIES MODELS**

### **(1) Shrewsbury and Atcham Council's Medium term Financial Plan to deliver Council services and priorities**

Shrewsbury and Atcham had decided to allocate resources to reach or maintain top quartile position for those indicators that were seen as 'priority' based on the Community Strategy objectives.

The Council had stated "that Best Value Performance Indicators that are not categorised as 'priority' are unimportant and we should not aspire to be in top quartile. But it does mean that we will allocate resources to those Best Value Performance Indicators where it will make the most difference and have a significant impact on performance."

The council's Performance Improvement Plan had 5 objectives with 4 or 5 key projects that were to be achieved each year under each of the objectives over the four year life of the plan. There were 20 key Performance Indicators for these Council's objectives where an anticipated increase in performance was set against the target each year and budgets set to focus on achieving this performance.

### **(2) Crawley Council's final report of the Value for Money Scrutiny Panel**

Crawley scrutiny's Panel had considered that the three key factors that the Council needed to always think about in order to improve its Value for Money rating was the links between the Council's Priorities (as indicated in the Corporate Plan), its Performance (how well a service was performing) and Costs (the amount of resources put into a service).

The Panel had sought to explore the 'value chain' (i.e. refers to the relation between the economy, effectiveness and efficiency of the service) of services that had been identified as high cost but as having low performance and satisfaction levels in order to identify specific areas that may require further analysis.

The Panel had considered:

- i) a breakdown of the Council's total expenditure by service (Cultural, Central

Services, Environment, Planning and Transport, Environment, Economic and Community Development, and Community Housing), based on the format used by the Department for Communities and Local Government for the collection of national local government expenditure and including some satisfaction data where appropriate;

ii) comparison data, provided through the Audit Commission's Value for Money Toolkit that detailed the cost of services in Crawley by per head of population;

iii) some performance and satisfaction data where appropriate;

iv) CIPFA family group comparisons of expenditure and satisfaction data for Cultural Services and Central Services as the Council was a very high spender in these areas compared to all other Councils. This was particularly requested as it would provide a more appropriate 'like for like' comparison of Crawley's expenditure, than across all District and Borough Councils.

The Panel had sought to identify:

i) those services where we are high spenders – and the reasons for this;

ii) the correlation between expenditure and levels of performance and satisfaction for the Council's services - and the reasons for any variations;

iii) which specific areas require further analysis and why.

The report stated that "from a Value for Money perspective, the Audit Commission did not consider it was a problem that Crawley was a high spending authority as it provided a large number of services for the residents. However, it should be expected that if services are high spending they should deliver high satisfaction or be high performing and should directly relate to the Council's priorities.

## **C. DISTINCTION BETWEEN STATUTORY AND DISCRETIONARY**

### **(1) Rochford Council's Member Budget Monitoring Sub Committee Report on Mandatory and Discretionary Services**

This report dealt with the simple test of "Do we have to provide a service by law" and made a number of key points. These were:

(a) The Council takes on legal obligations even when there is no statutory duty to provide a service. An example here is the maintenance of a building or land, which is open to the public. The Council has a duty to ensure that the asset is fit for the purpose.

- (b) The support services of the Council are not statutory but without them statutory services, could not be provided.
- (c) How a statutory service is provided is often open to some interpretation. Therefore, the Authority could decide to provide either a minimal provision of service or a comprehensive one.
- (d) This last point will however be affected by Government requirements in relation to Best Value and Competitive Performance. The Authority is judged by its performance on certain services thus reducing in some cases the option to have a minimal response.
- (e) As part of the Local Government Act 2000, the Government introduced the power to promote well being. Here, the objectives are the promotion or improvement of the economic, social and environmental well being of the area. The legislation makes it clear that these powers are deliberately wide-ranging and include broad spending powers. Hence matters such as economic development and leisure and recreation provision could be regarded as mandatory rather than discretionary under this definition.

## **(2) Analysis of Budget between Statutory and Discretionary Expenditure – Havant Council 1999/2000**

This report set out an analysis of Havant Council's statutory/discretionary services and showed a budget allocation for each of the council's services. Each service was defined as being either mainly statutory or mainly discretionary.

Overall the service split was 54% as mainly statutory services and 46% as mainly discretionary.

For each department the split was:

### **Environmental Health and Housing Services – 63% statutory, 37% discretionary**

(Environmental Health General, Pest and Dog Control, Public Conveniences, Waste Collection, Street Cleansing, Recycling, Concessionary Travel, Land Drainage, Provision of Meals, Removal of Abandoned and Unwanted Vehicles, Private Sector Housing, Enabling and Homelessness Miscellaneous)

### **Planning and Development – 75% statutory, 25% discretionary**

(Parking, Forward Planning, Development Control, Building Control, Sea Defence, Local Land Charges, Street Name Plates and Street Naming,

Markets and Street Trading, Highways - HCC Agency, Highways - Havant Borough Council, Environmental Enhancements, Miscellaneous)

**Policy and Resources – 50% statutory, 50% discretionary**

(Registration of Electors, Elections, Members Expenditure, Civic Expenses, Corporate Management, Local Taxation and NNDR Collection, Local Taxation Benefit paid, Housing Benefit paid, Benefits Administration, Grants to Local Organisations, Economic Development, Community Safety and Crime Prevention, Managed Property, Miscellaneous)

**Leisure Services – 4% statutory, 96% discretionary**

(Allotments, Parks and Recreation Grounds, Cemeteries, Borough of Havant Sport and Leisure Trust, Activity/Community Centres, The Arts, Museums, Tourism, Leisure Promotion, Coastal Recreation, Grants to Local Organisations, Miscellaneous)

**(3) Cost of Borough Services 2008/09 – Bedford Council**

This report looked at the services provided by Bedford Council and split each department's services into four separate budget headings.

These were:

- Statutory Service
- Priority Core Service to meet Corporate Plan
- Discretionary Service subject to annual review of affordability
- Priority Discretionary Service financed by fixed term or one-off funding

**D. MORE AUTHORITIES MODELS**

**(1) Salisbury District Council Portfolio Plans 2005/06 for Environment and Transport; Resources and Community and Housing**

These reports detailed a very clear message of what work the respective portfolio was designed to deliver and an easy to read review of the portfolio against the targets that had been set and the allocation of resources to meet those targets.

The Council had been rated as "Good" in its Comprehensive Performance Appraisal and was seeking to move to the next (and highest) score of "Excellent".

To do so Salisbury's Cabinet had recognised that not all services were equally as important as each other. This indicated that it was appropriate to develop different strategies and approaches for different groupings of services. The Cabinet had identified that services could be placed into the following four categories:



- Essential.
- Very Important.
- Important.
- Desirable.

The criteria used to determine which services fell into which categories was as follows:

- The degree to which the service is either statutory or discretionary.
- The degree to which the service contributes to the political priorities of the Council.
- The extent of the community benefiting from the services.
- The impact if the service was withdrawn.

As general guidance to services the following focus had been proposed for each category:

- Essential Services – Significant improvement in service quality and standards at current levels of expenditure. Priority focus for the service is to achieve government performance standards or upper quartile performance comparators before considering improved efficiency and cost savings measures.
- Very Important Services – Improvements in service quality and standards with minor efficiency savings. Services will concentrate on improving service standards towards upper quartile targets whilst maintaining current costs.
- Important Services – Minor improvements in service quality and standards with efficiency savings. Services will concentrate on improving efficiency indicators into upper quartile performance whilst maintaining service standards.
- Desirable Services – Maintain as far as possible current service quality and standards with significant efficiency savings. Priority focus for the service will be to achieve budget targets with the minimum impact on service standards.

The Council had also as part of its Medium Term Financial Strategy decided to examine the impact of imposing a freeze on its two sets of lower priority services i.e. “Important” and “Desirable” in order to fund its ambitions for improvements to services considered to be political priorities.

The “freeze” would last for 5 years unless managers could make proposals to absorb the accumulated impact before the 5 year deadline, in which case funding would resume.

It was assumed that the impact of a freeze equated to a cut in service of 3% per annum.

When there were unavoidable costs that impacted over and above the annual inflationary increases the Council's strategy was to:

- As far as possible to build unavoidable corporate costs into base budgets.
- Give highest priority for funding unavoidable service costs for essential services.
- Give serious consideration for funding unavoidable service costs for very important services.
- Unlikely to fund significant unavoidable service costs for important services.
- Give lowest priority for unavoidable service costs for desirable services.

Salisbury council's Corporate Plan sought to closely align the published Best Value Performance Indicators with three-year ambition targets so that for services categorised as “essential”, the ambition targets would be set at or above the top quartile performance. For the core values and services categorised as “very important”, the ambition targets would be set at or above the median performance.

Actions and tasks in each of the portfolios had been prioritised according to their importance and ease of implementation. The categories were as follows:

- Target – high importance and relatively straightforward to achieve.
- Pursue – high importance but relatively difficult to achieve.
- Permit – lower importance and relatively straightforward to achieve.
- Defer – lower importance and relatively difficult to achieve.

The Council expected that for those actions identified as a target, they will be completed in accordance with agreed timescales.

Actions categorised within the Pursue Category will present the Council with the greatest challenge insofar as they are important, but may require additional resources not readily available or rely on many people and other organisations to achieve. It had therefore been considered that a further sub-

categorisation is identified highlighting the priorities of the Council. These were:

- Essential – the Council's collective resources will be targeted to complete the actions.
- Very Important – the Council will make every effort to achieve the actions although some delays may be experienced.
- Important – timescales on these actions may not be achieved.
- Desirable – these actions will only be achieved if opportunities present themselves, however they may need to be reconsidered in future years.

## **(2) Supporting People in Tameside 5 Year Strategy**

Tameside Council had set up a group to look at an approach to setting priorities for assessing existing services and commissioning new services:

- **Critical** = services that enable the Administering Authority or one of its partners to meet Government performance targets, for example Best Value Performance Indicators to reduce the numbers of homeless people in bed and breakfast by a given date.
- **High priority** = services that support the Administering Authority and its partners in achieving their statutory drivers (as opposed to their statutory obligations). This category includes cross authority services such as women's refuges.
- **Medium priority** = those services that support local initiatives, or regional performance targets.
- **Low priority** = those services that may improve the quality of life of service users and may be innovative but do not fit into any of the above categories.

## **(3) Sedgemoor Leaders High Level Budget Strategy**

Sedgemoor Council Medium Term Financial Plan (MTFP) had shown that there would a funding gap for 2008-09 of £1.8 million.

Sedgemoor had found that the main reasons for this Council facing a significant funding gap, despite the efficiency savings generated over the past few years, were as follows:

### **National Policy (Government Initiatives)**

Recent Financial Settlements not keeping pace with inflation.  
Changes in the Concessionary Bus Fare scheme.  
Increased recycling targets.  
Job Evaluation scheme.  
Set up of ALMO to access decent homes funding

### **Local Policy**

Low Council Tax Rises  
Use of balances/grant funding to fund revenue  
Commitment to maintain as many public services as possible.

Sedgemoor had decided that a strategy for reducing expenditure and increasing income needed to be developed to ensure the Council could set a robust and balanced budget for 2008/09. The funding gap identified at £1.8 million relied on a number of assumptions, but it was clear that significant savings need to be made or increased income generated to set a balanced and sustainable budget for future years. The Council remained committed to adequately funding the services it has a legal duty to provide.

There were clearly various ways in which the gap could be closed and Members should do this with a very clear understanding of the Council's priorities and the risks associated with any budget reductions. To close a funding gap of this magnitude, members would need to make some difficult decisions on current levels of service provision.

Sedgemoor had decided as part of this process that a task and finish group be set up with members from all groups invited to attend. The group was set the task of identifying £2.0 million in savings or increased income.

The Group had come up with a number of recommendations. These were:

#### **Downsizing the Workforce**

A review of how that Council currently delivered services was an essential part of developing an organisation fit for purpose. A follow up report recommended a structure for the Council to move forward which would remove 20 to 25 posts from the organisation. Initially this process would incur additional costs due to funding the termination costs, however after the payback period this would be a permanent reduction to the base budget. An application would be submitted to the Department of Communities and Local Government to capitalize these costs and therefore remove them from revenue, although the capital would need to be funded from capital receipts or borrowing.

## Shared Services Agenda

Sedgemoor were to continue to drive forward the shared service agenda working with neighbouring councils, seeking to reduce costs for both parties wherever possible. The council was currently working with both Taunton Deane and West Somerset with a net benefit to Sedgemoor of in excess of £100,000. This work would continue and hopefully increase in the coming year.

## Additional Income from Fees and Charges

This option involved the Council reviewing its charges in line with the market rate. Several years ago an income and charging review had been carried out with recommendations on how the Council should change its charges in an attempt to maximize income where appropriate. Despite these recommendations charges had generally only been increased by inflation, where the charges were set locally and not by central government. With the current financial situation it was essential that the charges are considered in line with the market rate for the service to maximize income.

## Discretionary Services

Councils provide a range of services for the customer, some are statutory and some are discretionary. With a funding gap of this magnitude to close it can only be achieved by reviewing current services and prioritising them against the Corporate strategy. The Council did not have the option to stop providing statutory services, however all services should be challenged to generate efficiency savings. In some cases services may not be provided in the future due to the current financial situation.

## Generating Capital Receipts

The Capital Strategy and Medium Term Financial Plan both highlighted the need to dispose of assets which were not required operationally. This would generate capital receipts to direct towards projects which would help deliver the Council's corporate priorities and in some cases remove the maintenance liability. An asset working group has been set up to look at the Council's assets with the aim of disposing of assets no longer required. However, due to the lack of capital resources and no revenue to fund capital or the cost of borrowing, a review of the assets, which could be marketed for sale within the next six months had been carried out to assist with funding the 2008/09 capital programme.

As well as this Sedgemoor Council had considered what criteria would be used to assess bids for Capital funding. This criteria would include:

- Is it a statutory obligation?
- Is there demonstrable community need?
- Is it a Council priority?
- Does it deliver savings?
- Is there third party funding?
- Required for Business Continuity?

In conclusion Sedgemoor had agreed that the budget proposals would be framed around:

- Ongoing efficiency savings
- Downsizing the workforce with a structure 'fit for purpose.'
- Charging market rates for the services provided
- Attracting grant funding and third party investment
- Working with partners to provide services where practical
- Stopping delivering some services
- Reducing grants to outside organisations

#### **(4) South Gloucestershire Council Budget and Council tax Consultation for 2007/08 to 2009/10**

South Gloucestershire had stated that the council's priorities from 2003 to 2007 were to:

- strengthen communities
- meet the needs of, and provide opportunities for our children and young people
- understand and meet the aspirations of our older people
- improve and manage travel and transport
- reshape the housing stock
- be a well managed council

The council's budget had been set to reflect these aims, although they would be reviewed in 2007 to make sure that they continue to reflect the needs and priorities of the community.

The Council's spending had changed on individual services over the last four years to reflect these priorities. There had been a significant shift away from 'back office' costs and from capital financing costs with more resources being devoted to frontline services including community care and transport.

To continue to fund these priorities, South Gloucestershire would need to find savings of £4.8M over three years in other areas.

In addition, the council also needed to find savings of a further £5.9M to balance its budget and meet separate government savings targets.

In all, it meant the council had to find savings of over £10million.

This meant that the council had to make a number of difficult decisions. It had drawn up a list of four main areas where savings could be made. None of these would be painless and all would have the potential to impact on staff, service users, or the longer term ability to support front line services.

The four areas were:

#### Savings by working smarter

A large part of the savings, around £4.8million, could come from new efficiencies in the council's 'back office' operation. This includes council IT, finance, legal, personnel and other HQ services. Savings here would produce £2M, with the rest coming from efficiencies across other Council departments as outlined below.

As part of this process the council would need to cut around 50 posts over the three year period. It is expected that the majority of these could be made without a need for compulsory redundancies. This would have only a minimal impact on overall staffing levels given that the council employs approaching 10,000 people.

Savings of £363,000 would come from reduced interest costs from better management of the council's debt, and £260,000 from reduced energy costs from better insulation to buildings.

Savings of £1.2million would also come from delivering front line community care and housing services in new ways. This includes giving independent care providers a larger role in the delivery of care and in so doing driving down costs.

Finally, £946,000 of savings would come from other, non front line affecting savings. These include: extra grant, treating some pension and insurance costs differently, and a variety of other, smaller savings.

#### Increased income

Around four per cent of the savings would come through an increase in charges the council makes to some service users.

This would include continuing with the third phase of increased charges to home care service users. These increases were set a year ago and are being introduced over three years. The final phase of the increases will be introduced in 2008/09, generating an income of £200,000.

A further £100,000 could be generated by increasing trading with schools for services provided to them by the council, for example buildings maintenance.

£70,000 would come from increased income from residential care homes. This would be achieved because of the increasing numbers entering care with the ability to contribute towards the costs.

There is also an option to introduce means tested charges to parents of children in respite care. This would affect a small number of parents, and would generate £70,000 of income.

### Service savings

A further £800,000 would need to come from some savings from front line services.

£205,000 would come from savings made by cuts to staffing levels in Revenues and Benefits. This would have a potentially negative impact on the council's ability to collect council tax and the speed with which it can process claims for housing benefits.

£189,000 would come by cutting subsidies paid by the council to bus and coach companies to provide services on non-profit making routes. This would mean some routes and services would be lost where use is low and/or support per passenger is high.

£235,000 would come through savings on some statutory planning services. This could slow processes and increase waiting times for services including planning policy, processing applications, enforcement, public rights of way, road safety and the delivery of transport schemes.

A further £85,000 could come by cutting back the council's road maintenance programme. This would clearly have a negative impact on the condition of some of the area's roads.

A number of savings would also be needed from the communities section, environmental services and community sport section, totalling around £107,000. These savings would affect the availability of services in each area.

Finally £17,000 could be saved by reducing library opening hours on Saturday afternoons when services are less well used, and increasing opening hours during the week. There would be no overall reduction in the hours of opening.



### Service reviews

Savings of around £4.7million would come from a series of service reviews over the next three years. The majority of these would concentrate on areas where the council's costs appear high in comparison to those of other similar authorities.

To date the council has asked each service area and department to find broadly similar percentage savings, for example two per cent across each department.

In the future it may be necessary to adopt a new approach, concentrating savings on the services which, compared to other authorities, are above average in cost, or achieve lower levels of satisfaction or performance.

These reviews are likely to cover the following areas: fees and charges, planning policy, transport, (including home to schools transport and public transport support), corporate costs, local tax collection, grants and contracts with the voluntary sector, homelessness, procurement, managing demand for private car travel, and open spaces.

The council expects the service reviews to produce savings of up to £3M over the three years. The reviews will concentrate on smarter working and back office costs not front line services.

There are also three other review areas. £1.18M would come from a systematic review of community care packages and the renegotiation of contracts with independent sector care providers.

£350,000 would come from a review of the organisation of transport services within the council, where departments feel that improvements are possible without reducing service levels.

Finally, the council was also considering closing some of its public toilets and introducing reduced hours of operation for others, with a possible saving of £76,000.

### **E. AUDIT COMMISSION REPORT OCTOBER 2008 BACK TO FRONT – EFFICIENCY OF BACK OFFICE FUNCTIONS IN LOCAL GOVERNMENT**

This report reviews how councils nationally had made back office efficiency gains following the Government's 2004 Spending Review and identified lessons for all authorities for the future.

The report stated that Councils that had created significant and sustainable efficiencies had done so by taking a strategic approach to efficiency. This involved:

- designing and/or redesigning services from a user perspective;
- linking efficiency programmes to corporate objectives for service improvement and council tax management;
- demonstrating local political support for, and scrutiny of, efficiency programmes; and
- delegating management and monitoring of efficiency activities to a senior level executive board.

Furthermore, strategic approaches were transformational in that they challenged traditional structures and aimed for long-term gains and service improvements.

Councils had taken three broad approaches to creating back office efficiency gains which were transactional, transitional and transformational. All three enable councils to deliver efficiency gains but transformational approaches were the most likely to deliver long-term, sustainable gains and the Audit Commission would be looking at all local authorities to follow this approach. The table below illustrates the key differences between the approaches.

**Table 4**  
**Transactional, transitional and transformational approaches to back office efficiency**  
 Three different broad approaches have different characteristics

Characteristic	Transactional	Transitional	Transformational
Efficiency policy	Ad-hoc efficiency activity.	Policy – but not linked to other policies.	Strategic and embedded efficiency policy.
Service transformation	Narrow approach to change.	Separate front line and back office transformation projects.	Integration of front line and back office activity.
Organisational change	Change within existing organisation.	Partial change to existing organisation.	Fundamental structural change.
Back office functions & front line services	Traditional separation of back office and front line activity.	Back office activity decentralised to, but not integrated with, front line services.	Full integration of front and back services.
Efficiency planning and monitoring	Top-slicing of budgets. Efficiency not aligned with corporate and financial planning.	Move to integration eg tailored efficiency targets. Some alignment with corporate and financial planning.	Efficiency targets and planning are fully integrated with corporate and financial planning.
Sustainability of efficiency savings	Over-reliance on windfall gains. Gains are retained within traditional budgets.	Gains are returned to corporate centre and are re-allocated on an ad-hoc basis.	Sustainable efficiency gains. Gains are re-allocated through corporate budget process. Investment in long-term improvement and efficiency projects.
Time scales	Short-term efficiency gains. Planning and achievement within-year and within existing budget heads.	Mix of short-term and long-term gains. Development of longer-term plans for specific efficiency projects. Some cross-year efficiency projects.	Long-term planning and gains across spending review cycles. Strong challenge to existing organisational and financial arrangements.
Management and leadership of efficiency	Councillor engagement is minimal or non-existent. Staff are not engaged in the efficiency process.	Partial engagement of councillors in efficiency planning. Some staff engaged in the efficiency process.	Clear leadership and engagement of councillors with efficiency. Staff are fully engaged in creating the efficiency process.

The Audit Commission considered that internal political challenge and support was vital for long-term efficiency improvements and that efficiency needed to be considered by officers as a part of the day job.

The report highlighted 12 case studies from authorities across England. Of particular interest were:

- Rotherham Metropolitan Borough Council who had introduced Base Budget Reviews in 2005. These aimed to realign resources, create efficiency savings and provide Value for Money (VFM). Each service directorate submitted a self-assessment report with information about efficiency savings, service pressures, risks and plans to a panel of councillors and senior management. The panel assesses how each directorate contributes to corporate priorities, whether budgets and

services provide VFM and efficiency gains, and the viability of planned service improvements. The findings from the panel feed into the council's medium term financial planning.

- Worcestershire County Council began creating back office efficiency gains in the late 1990s. The new (1998) council inherited outdated finance systems, inadequate ICT infrastructures, and compartmentalised work processes. The council's initial response was a department by-department transactional approach. A review of other councils' financial systems started the move towards a transformational approach.

A new financial management system enabled the council to move finance teams into front line directorates and to integrate service and financial management.

A key lesson for the council was that it needed to look outwards and inwards if back office activities were to be efficient and effective. The mixture of benchmarking and self-analysis was the foundation for Worcestershire's move to a transformational approach.

A council-wide review of performance and efficiency was launched in 2003. Cabinet members and senior managers reviewed and challenged the evidence. The original one-off review was the foundation of Worcestershire's annual Corporate Strategy Week (CSW). Cabinet members and senior managers meet each autumn for a week-long workshop to review the issues faced by each directorate, and make recommendations for the budget/strategy process. CSW is now the core of the council's financial and service planning process.

## **F. COPELAND PROCESSES**

Officers led by the Head of Policy and Performance had done some initial work on how a model could be implemented at the council.

Service managers in putting together their departmental service plans would be asked to undertake a self assessment that would look at a number of factors. These would be:

- Statutory duties currently being delivered (Ranked as essential)
- Contribution to Council priorities as outlined in the corporate plan (Ranked as very important)
- Fit for purpose activities are being delivered (Comprehensive Area Assessment, Use of Resources, probity, Ethical Governance, Corporate Governance etc.) (Ranked as important)
- What Plans there were for achieving efficiency savings and income opportunities

- Ideas for doing things differently and transformation
- How well Value For Money was being achieved (performance/cost/customer satisfaction)
- What the minimum requirement for the service would be and the risks of downsizing.

They would also be asked to update the service review in 2006 that detailed the statutory and discretionary elements of each department's services.

A Member/Officer Working Group could be set up to consider the service plans and to manage the process of identification and realisation of specific efficiency savings.

Whilst this would enable a department by department approach, significant efficiencies could also be achieved through taking a corporate view across departments particularly by moving back office functions to the front office.

In light of this the group were advised of the work being done corporately. This was:

- To develop the Corporate Plan 2009/10 setting out corporate priorities
- To develop staff time recording
- To measure avoidable contact
- To develop a corporate efficiency policy
- Through the Officer T-Enabling programme of work to:
  - Renew the website to allow more transactions on the internet (self-service)
  - Improve the Customer Relationship Management system so more customer services can happen at the front line (improve customers' access)
  - Do less, spend less – review and streamline work (BPI)
- To look at more modern means of Procurement
- To rationalise asset management
- To investigate shared internal and external services
- To joined up contact with communities through locality working

### **3. CONCLUSION AND RECOMMENDATIONS**

The Group was grateful for the opportunity to undertake some pre scrutiny of such an important piece of work to the council and hopes this approach has and will do, when used in future, add value to the Executive and the full Council in helping them to form a decision.

The Group felt that in looking at the models originally suggested that in respect of:

Model A) This means that Council resources are only spent or invested on those services we have to provide by law.

The Group felt that this should be seen as a model of last resort as the evidence from other authorities showed that there were large areas of discretionary work that all authorities undertook. Services we have to provide by law is a narrow definition bearing in mind that statutory services sometimes require discretionary services to run effectively.

Model B) This means that we prioritise Council resources for those services we are required to deliver by law and with the remaining resource we then prioritise funding for discretionary services, i.e. on the Council's own priorities.

The Group felt that this "middle option" should be replaced by the approach suggested by the officers for the service planning process detailed at 2(F) above. The approach sought to achieve the same aims of model B and it also overcame the dilemma of the distinction between statutory and discretionary in that this model used this distinction as one of the criteria rather than the sole one.

The two pronged approach of looking at efficiencies by department by department and through a corporate approach should be particularly effective. However in the corporate approach it would also be helpful for work to be done on:

- Ensuring that the investigation of shared service was internal and external
- Looking at the use of flexible working, and
- A suggestion/reward scheme for members of staff.

In light of this the Group agreed that this would be their preferred model, in principle.

Model C) We review the minimum requirement by laws for mandatory services to release more funding for discretionary services (Council priorities) and produce a revised budget.

The Group felt that this model would need to clearly define what was meant by minimum requirement. Only running minimum requirements on some services may cause problems with the Audit Commission.

It may also be that the Council would require more spending on some statutory services and the extra funding may not be all released for discretionary services.

It was likely that this model would cause confusion and could be misunderstood by the public.

The Group felt that before Council could reach a final decision on which model to follow they would need to have considered at least the following information:

- An identification of all the services that are run by the council
- An analysis of the discretionary and statutory elements of each of those services
- The budgetary costs from that analysis of the discretionary and statutory elements of each of those services
- How much land is still owned by the council, the estimated value of it and the revenue implications of owning that land
- A SWOT and risk analysis of each of the models
- An analysis of those services where we are high spenders – and the reasons for this
- The correlation between expenditure and levels of performance and satisfaction for the Council's services - and the reasons for any variations
- Which specific areas require further analysis and why
- What ad hoc or one off sources of funding are available.

**List of Appendices:**

None

**List of Background Documents:**

None

