

**AGENDA MANAGEMENT SHEET**

**Name of Committee** Resources, Performance and Development Overview and Scrutiny Committee

**Date of Committee** 29 April 2008

**Report Title** Efficiency Planning

**Summary** To seek the Committee's comments on the proposed mechanisms by which efficiency savings will be identified, measured and monitored to ensure both the budgeted savings are delivered and the Government's efficiency targets met.

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**Would the recommended decision be contrary to the Budget and Policy Framework?** No.

**Background papers** None

**CONSULTATION ALREADY UNDERTAKEN:-** Details to be specified

- Other Committees  .....
- Local Member(s)  .....
- Other Elected Members  .....
- Cabinet Member  Cllr Cockburn - for information
- Chief Executive  Jim Graham - as part of SDLT considerations
- Legal  David Carter - as part of SDLT considerations
- Finance  Dave Clarke - reporting officer
- Other Chief Officers  As part of SDLT considerations
- District Councils  .....
- Health Authority  .....
- Police  .....

Other Bodies/Individuals  .....

**FINAL DECISION NO**

**SUGGESTED NEXT STEPS:**

Details to be specified

Further consideration by this Committee  .....

To Council  .....

To Cabinet

To an O & S Committee  .....

To an Area Committee  .....

Further Consultation  .....

## Resources, Performance and Development Overview and Scrutiny Committee – 29 April 2008

### Efficiency Planning

#### Report of the Strategic Director, Resources

##### **Recommendation**

The Committee is asked to comment on:

- (i) The proposed changes to the authority's efficiency planning process detailed in Paragraph 4.2 and in Appendix A.
- (ii) The model of efficiency planning outlined in Section 5 and shown in Diagram 1.
- (iii) The process for developing a Corporate Efficiency Plan as outlined in Section 6.
- (iv) The protocol for sharing/incentivising efficiency savings outlined in Paragraph 7.2.

## **1 Purpose of the Report**

- 1.1 As part of the background papers accompanying the 2007 Comprehensive Spending Review the Government announced a new approach to the monitoring of efficiencies delivered by authorities, to replace the Gershon regime. Alongside this Members have approved a more aggressive approach to the delivery of savings over the medium term, to support the County Council's budget.
- 1.2 As an authority there is a need to ensure our approach to efficiency planning will deliver these new requirements. The purpose of this report is to seek the Committee's comments on the mechanisms by which efficiency savings will be identified, measured and monitored to ensure both the budgeted savings are delivered and the Government's efficiency targets are met. The report was considered by SDLT at their meeting on 20 February 2008 and their comments have been incorporated into this report.

## **2 The Government's Efficiency Targets**

- 2.1 Under the Government's new efficiency regime the only information we will be required to report to the Government is the VFM indicator:

“The total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008/09 financial year.”

- 2.2 This indicator will not have to be broken down by service sector and there will be no accompanying text to describe actions taken or information relating to service quality, as is the case currently with the Annual Efficiency Statements. Instead we will be required to report on the VFM indicator to the Government twice a year. One return in October, forecasting the position at the year-end. The second, in July, showing the actual outturn position as at 31 March.
- 2.3 Also there will be no mandatory efficiency target for each individual council. Rather, progress against the overall 3% target for local government will be monitored by the sum of councils' gains reported through the national indicator.
- 2.4 The key elements of the new VFM indicator are its focus on:
- Net gains i.e. after repaying any pump-priming costs of delivering the efficiencies. (The current system measures gross gains).
  - The need for gains to be on-going.
  - The need to provide **evidence** that the gains are cash-releasing.
- 2.5 The indicator is one of the national performance indicators and will therefore be subject to the same audit and inspection processes as all other statutory performance indicators. Although individual councils will not be required to achieve a specific level of VFM gains, if the indicator shows little progress this would act as a trigger for further investigation by Government Office to understand the reasons. Performance will also be assessed as part of the CPA/CAA Use of Resources judgements.
- 2.6 In reality these audit and inspection requirements are a step-up from those which have operated under the Gershon regime which has been based on self-declaration. Consequent on this is the need to review our efficiency processes to ensure they are sufficiently robust to meet the requirements of external auditors/inspectors.

### 3 County Council Budgeted Savings Targets

- 3.1 The County Council's 2008/09 Budget resolution adopted a significantly more aggressive approach to the delivery of savings than previous years. Three-year savings targets for each Directorate have been set, as outlined in the table below.

	2008/09		2009/10		2010/11	
	Percent	£m	Percent	£m	Percent	£m
AH&CS	2%	2.002	3%	3.003	4%	4.004
CYP&F	3%	1.932	3%	1.932	3%	1.932
Community Protection	-	0.140	-	-	-	-
Environment and Economy	2%	0.768	3%	1.152	4%	1.536
Performance and Development	5%	0.533	5%	0.533	5%	0.533
Resources	5%	0.822	5%	0.822	5%	0.822
<b>Total</b>		<b>6.197</b>		<b>7.442</b>		<b>8.827</b>

- 3.2 The savings targets are shown against the Directorate initiating the project that results in savings. Therefore, the Strategic Director, Resources has the delegated authority to adjust budgets between Directorates, where savings fall, to ensure the targets are delivered.
- 3.3 The budget resolution and previous Cabinet decisions added further requirements:
- Resources, Performance and Development Overview and Scrutiny Committee consider the outcomes of a review of efficiency planning at their meeting in March and that any feedback and recommendations are reported back to Cabinet in April alongside the report from the Chief Executive and SDLT on the detailed savings plans for 2008/09. *(Please note that, due to the last meeting of the Overview and Scrutiny Committee being brought forward to accommodate discussion of the Corporate Business Plan, it was not possible for this report to be considered at the March meeting as SDLT were yet to consider the process. The report has therefore been brought to this meeting and comments will be fed back to Cabinet as part of the Quarter 1 Efficiency Monitoring Report).*
  - The Chief Executive, along with SDLT will bring a report to Cabinet in April 2008, identifying plans, with supporting business cases for delivering the short-term savings and report later in the year on proposals for delivering savings in 2009/10 and 2010/11.
  - Cabinet and Overview and Scrutiny Committees should also receive reports on progress to date to their autumn cycle of meetings.
- 3.4 In meeting our internal reporting requirements there is an underlying need, which the reporting requirements are intending to fulfil, to ensure our approach to efficiency planning will deliver savings of the level required. This includes the need to:
- Ensure processes are in place to give members surety that the savings targets included in the budget resolution will and are being delivered.
  - Ensure consistent and verifiable methods for quantifying efficiency gains are embedded across the authority. This should include:
    - Measurement of cash savings
    - Determining that, as a minimum, outputs/outcomes/performance have been maintained
    - The allocation of any savings delivered where more than one Directorate is involved in their generation.

## 4 Assessment of Current Processes

- 4.1 As part of the value for money report that accompanied CSR07 a checklist was included to allow authorities to self-assess their value for money and efficiency planning processes. Using this checklist an assessment of the “best practice” against our current processes has been undertaken and the detail is shown in **Appendix A**. In many areas this shows our current processes to be

robust. However, there are a number of areas where meeting the Best practice requirements would suggest further improvements are needed.

#### 4.2 The proposed improvements are:

- Improve communication throughout the organisation about the value for money and savings agenda by:
  - Including it as part of core briefing to all staff, say on a half-yearly basis.
  - From 2009/10 onwards including statements as part of the council tax leaflet and the annual report/summary statement of accounts. (This is likely to become a Government requirement).
  - Increasing member involvement in VFM and efficiency reviews to ensure early commitment is gained to possible changes to services.
- Undertake a review to assess the possibility of introducing unit costing across the authority as part of performance monitoring as an alternative methodology for measuring efficiencies both over time and between authorities.
- Establish a corporate methodology for assessing the benefits derived from significant partnerships and how VFM should be built into our key partnership processes, including the emerging LAA.
- Agree a corporate protocol on measuring efficiency savings and sharing/incentivising efficiencies across Directorates.
- Formalise Corporate and Directorate Efficiency Plans with a nominated Head of Service responsible for the delivery of each project.
- Introduce project plans to support each of the major projects in the Efficiency Plan. As a minimum the project plan should:
  - Be signed off by the relevant Head of Service prior to the project commencing.
  - Include a financial and qualitative impact assessment and risk analysis.
  - Include the method of calculating any efficiency saving.
  - Include the service impact as part of the original business case, with agreement in advance as to how any potential service impact will be assessed.
- Include monitoring the delivery of projects as part of routine performance management. This should include:
  - A new quarterly efficiency monitoring regime to Cabinet, focussing on exception reporting and impact, if any, on performance. This regime would either be part of the quarterly budget monitoring report or a separate report.
  - Reporting progress on the delivery of the Efficiency Plan as a standard part of Directorate performance reports to O&S Committees.
  - A more robust format for the mid-year review and annual report on efficiency to O&S Committees and Cabinet to allow increased

scrutiny and meet Government reporting requirements.

- 4.3 **The Committee are asked to comment on the proposed changes to the authority's efficiency planning process outlined in paragraph 4.2.**

## 5 A Model of Efficiency Planning for Warwickshire

- 5.1 Whilst many of the recommendations for change listed above are an enhancement of our existing monitoring and communications processes the big step change is in developing a robust framework within which efficiency planning can take place.
- 5.2 The diagram below is a model of efficiency planning, based on the best practice included as part of CSR07 that it is recommended is adopted in Warwickshire. It focuses on not only the work on identifying where there is scope to improve value for money and efficiency through a gap analysis, but also those tools and techniques for improvement that will be at the heart of the efficiency projects required to deliver the savings targets included in the budget.

**Diagram1: A Model of Efficiency Planning in Warwickshire**



- 5.3 The role of the tools and techniques shown above for the delivery of efficiency and value for money are:

- **Leadership and Change Skills.** Effective leadership creates a culture in which staff at all levels (and not just managers and budget holders) expect to be challenged on their use of resources; look for continuous improvement year after year in the way they do things; and generate ideas about better ways of working.

- **User Focus.** Involving citizens in local decision-making and services.
- **Innovation.** Efficiency is one of the most important drivers of innovation; obtaining continued gains on the scale required means, in many cases, the need to break with established practices.
- **Business Process Improvement (BPI).** BPI is a structured approach to helping organisations diagnose what needs to change to make an operation more efficient and effective.
- **Collaboration between Public Bodies.** Cross sector working can enable organisations to reduce financial burdens, produce more efficient methods of working, and share costs. Accruing efficiencies out of partnerships is the next phase in the development of this agenda.
- **Use of Technology.** There is still much scope to make the local e-government infrastructure work harder at transforming services.
- **Workforce Planning.** Better planning and shaping of the workforce and their skills helps minimise problems that increase costs and adversely impact on service delivery and ensure staff are ready and able to cope with the degree of change inevitable in an aggressive efficiency saving environment.
- **Enhanced Competition, Smarter Procurement.** The key principles of competition and market shaping are used effectively as part of a holistic approach to place shaping and commissioning of strategic services.
- **Asset Management.** There is a consensus across national and local government generally that the number of offices used could be greatly reduced, but that this would require services to review ways of working and how office space is used. More remote working could reduce the reliance on office desk and filing space and there are opportunities for the greater use of co-location as well as shared use of assets.

5.4 **The Committee are asked to comment on the model of efficiency planning shown above.**

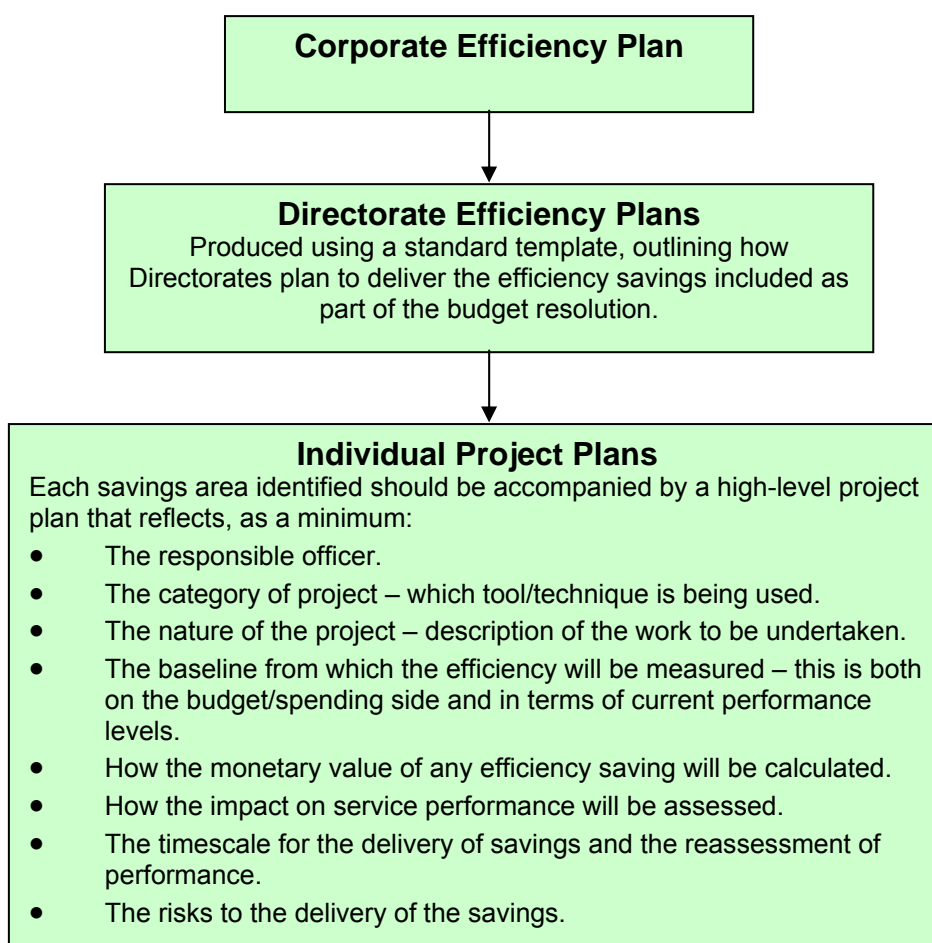
5.5 The gap analysis will continue to be undertaken at two levels within the organisation – at a corporate level through the annual review of VFM and the VFM profiles/PwC benchmarking and at a Directorate level identifying potential areas for improvements in efficiency at a more local level.

5.6 The different tools and techniques shown in the diagram could then be used to provide an overarching structure to the various workstreams put in place to deliver the efficiency savings. These link closely, and can be dovetailed with, the New Ways of Working programme to ensure a more seamless approach to planning and change across the authority.



## 6 Developing an Efficiency Plan

- 6.1 Having an agreed model of efficiency planning does not negate the need, to pull together a list of projects that will deliver the efficiency savings targets included in the budget. After consideration by SDLT, the 2008/09 Corporate Efficiency Plan will go to Cabinet for approval on 24 April 2007. It is these plans, and the regular monitoring of progress against them that will provide members with surety that the budgeted savings can be delivered. **The Committee is asked to comment on the process for developing the Council's efficiency plans shown below.**
- 6.2 It is proposed that a hierarchical structure is used, with the Plan at each level supported by more detailed plans in the level below:



## 7 Sharing/Incentivising Efficiencies

- 7.1 The process outlined above for developing the 2008/09 Efficiency Plan is very much based around the organisation's Directorate structure. However, increasingly efficiency projects will be cross-Directorate. Therefore, whilst the project planning process remains unchanged the reporting and allocation of

any savings generated will need to be adequately reflected.

**7.2 The Committee is asked to comment on the following draft protocol for the sharing and incentivising of efficiency savings:**

- All efficiency projects should have a named lead officer, this will then automatically be the lead Directorate in terms of planning, monitoring and reporting on the efficiencies generated.
- Where the work and/or savings cut across more than one Directorate this should be acknowledged in advance with the method for identifying savings and how they will be shared agreed by all Directorate's in advance. The lead officer is responsible for reaching any agreements needed, with SDLT acting as a final arbiter if agreement cannot be reached on the basis of a report from Budget and Technical (Resources).
- The sharing of savings must meet a number of key criteria:
  - It must be fair in terms of the work required to identify and implement the necessary changes.
  - It must be fair and proportionate in terms of the relative savings targets Directorates are required to deliver.
  - It must provide an incentive to Directorates to become engaged in the efficiency projects being led by another Directorate.
- Where a Directorate is not engaging at adequate pace to deliver a project identified in the Corporate Efficiency Plan as a cross-Directorate project then the savings can be assumed to have been delivered and budget adjustments enacted subject to ratification by SDLT.
- Savings from cross-Directorate projects will be administered via budget virements.

## **8 Timetable**

8.1 The timetable for approving the Corporate Efficiency Plan, assuming the process outlined in this paper is supported, is:

<b>Date</b>	
Tuesday 4 March	R,P&D O&S consider Efficiency Planning report
Wednesday 19 March	Directorate 2008/09 Efficiency Plans submitted
Wednesday 2 April	SDLT approves 2008/09 Efficiency Plan
Thursday 24 April	Cabinet approves 2008/09 Efficiency Plan

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04 March 2008