

CABINET

17 MARCH 2010

PRINCIPAL SCRUTINY COMMITTEE

22 MARCH 2010

VALUE FOR MONEY (VFM) UPDATE 2009/10 & 2010/11

REPORT OF THE CHIEF EXECUTIVE

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RECENT REFERENCES:

[CAB1898: Value for Money \(VfM\) Forward Look 2009/10](#)

[CAB1964: Budget and Council Tax 2010/11](#)

EXECUTIVE SUMMARY:

The purpose of this report is to provide an update against the Value for Money (VfM) gains target for the current financial year (2009/10) and to note the updated forecast gains for 2010/11.

In October 2009 the Cabinet set a target for vfm gains for 2009/10 of £500,000. The current forecast is that we shall exceed this target. The final outturn gains will be reported in July.

During the 2007 Comprehensive Spending Review (CSR) period, covering the financial years 2008-09 to 2010-11 inclusive, councils in England are required to submit information on their forecasts and achievement of Value for Money (VfM) gains. This is done through one of the indicators in the National Indicator Set (NIS): National Indicator 179 (NI179). Whilst there is no mandatory target at individual local authority level, there is an expectation that new reported gains are made. There is also the benefit that cashable VfM gains bring in terms of providing a value for money service and also in helping to continue to deliver a high level of service under tough budget conditions.

RECOMMENDATIONS:

To Cabinet:

1. That the forecast to achieve the 2009/10 target of £500,000 be noted
2. That the updated forecast for 2010/11 be noted

To Principal Scrutiny Committee:

1. That Principal Scrutiny Committee considers any recommendations it wishes to make to the Cabinet or the Leader in respect of the VfM target for 2009/10, and indicative forecasts for 2010/11.

CABINET17 MARCH 2010PRINCIPAL SCRUTINY COMMITTEE22 MARCH 2010VALUE FOR MONEY (VFM) UPDATE 2009/10 & 2010/11REPORT OF THE CHIEF EXECUTIVE1 Introduction

- 1.1 Winchester City Council has achieved significant efficiency gains already. In the three years from 2005/06 to 2007/08 the Council reported cumulative Annual Efficiency Savings amounting to £1.941m, which was £0.352m above the Government target. Of this, £1.536m were “cashable” savings having an immediate and direct impact on the money available to support the delivery of the Council’s services.
- 1.2 The 2007 Comprehensive Spending Review (CSR), covering the financial years 2008-09 to 2010-11, requires councils to submit information in respect of Value for Money gains twice a year;
- in October councils are required to report the total VfM gains forecast for the current financial year (Forward Look), and
 - in July, councils report the actual VfM gains achieved at the end of the financial year just past (Backward Look).
- 1.3 This is done through one of the indicators in the National Indicator Set (NIS): National Indicator 179 (NI179). NI179 is defined as: the total net value of ongoing cash-releasing Value for Money gains that have impacted since the start of the 2008/09 Financial Year. Value for money gains must persist for at least two full financial years after the year they first accrue.
- 1.4 It is on the basis of the outturn data submitted in July that the Department will assess councils' collective progress against their £5.5bn target for VfM gains by March 2011 (raised from the initial target of £4.9bn with an extra 1% required in 2010/11).
- 1.5 Under the guidance councils are at liberty to set their own internal targets for VfM gains. To pursue a proportionate share of the national target would require a voluntary trajectory for gains as follows:

Year	2008/09	2009/10	2010/11
Target (% of 2007/08 baseline)	3%	6.1%	10.3%

For Winchester City Council this would equate to finding new gains of circa £1.9m per annum and a cumulative total of £6.5m by 2010/11.

- 1.6 The “VfM delivery plan for local government” (issued by DCLG) identifies four key themes for achieving efficiencies; Procurement; Business Process Improvement; Collaboration; and Asset Management. The guidance invites councils to record their gains for each of these themes.
- 1.7 It is a requirement that the leader, chief executive and chief financial officer should see, certify and approve the final submission for NI179. The 2009/10 Forward Look was completed before the submission date of 23 October 2009.
- 1.8 VfM Gains included in the Forward Look 2009/10 and Backward Look 2008/09 are also required to be included in the annual Council Tax Leaflet published in March. This gives the tax payer the opportunity to see how the Council is progressing with its value for money achievements.

2 VfM Gains: Forecast 2009/10

- 2.1 The Council's Efficiency Strategy 2007-2010 was approved by Cabinet on 19 September 2007. The stated aim of the strategy is:

To maximise efficiency, to release resources to target Council priorities, and to deliver high quality cost effective services.

- 2.2 As part of the forward look and updated forecast 2009/10 planning process consideration has been taken of;
 - any part-year gains reported in 2008/09 which follow through to 2009/10 for the full year
 - all gains included in the 2009/10 Original & Revised Budget
 - all subsequent supplementary decisions made by Cabinet, and by Portfolio Holders
 - any further gains put forward by CMT and Heads of Division
- 2.3 The table at Appendix A provides a summary of the forecast VfM Gains for the 3 year CSR period.

- VfM Gains 2008/09 Outturn	£264,065
- VfM Gains 2009/10 Forward Look Target	£500,000
- VfM Gains 2009/10 Updated Forecast	£502,977
- 2010/11 ongoing gains from previous years	£550,809
- 2010/11 Potential vfm gains	£776,000

(arising from cashable savings in the budget (CAB1964). These savings will need further analysis to assess which of them meet the criteria for NI179)

- 2.4 Forecast gains have been presented in the four themes identified in the Department's VfM delivery plan for local government, and are summarised in the table below:

	2009/10 Target £'000	2009/10 Forecast £'000	2010/11 Indicative £'000
Procurement	79	73	280
Business Process Improvement	225	228	670
Collaboration	47	47	184
Asset Management	145	155	193
Total	496	503	1,327

- 2.5 The most significant changes from the 2009/10 Forward Look Target are:
- *Partnerships, Communication & Improvement Division reorganisation* – the VfM Gain has reduced.
 - *RPLC LCP Arrangement* – a new VfM Gain amounting to 50% of the net saving from the DC Leisure LCP arrangement.
 - *Energy Savings* – a new VfM Gain with the saving to be quantified at the year end.
 - *Tree Care Surveys* – a new VfM Gain resulting from the employment of a Tree Care Officer instead of using consultants.
 - *External Printing* – a new VfM Gain following further review at revised budget stage of all external printing

3 2010/11 Indicative Forecast & Future Considerations

- 3.1 The revised forecast has led to a reduction of the ongoing savings from £583,000 to £551,000. This is due to reduced ongoing VfM Gains from: Council magazine reduced distribution costs, Market running costs, Car park advertising, Customer Services copier income, and PC&I reorganisation.
- 3.2 The budget savings presented in CAB1964 totalling £2.48m (comprising; increased income £0.243m; expenditure savings £1.292m; and supplementary approvals £0.945m) have been reviewed and the maximum potential VfM Gains have been identified for 2010/11, amounting to £0.776m. It is anticipated that this forecast will reduce as further thorough review leads to the removal of those savings not meeting the strict NI179 VfM Gain

criteria, and the part-year effect on any of the savings listed also becomes clear.

- 3.3 The following major contracts will be ending within the planning period and the Council will be actively seeking to achieve VfM Gains when considering their renewal: IT Support; and RPLC / Meadowside Leisure Contracts. Initial forecast 2010/11 gains for both Contracts are included. Although outside of this planning period, the Waste Management / Grounds Maintenance Contract will be analysed for VfM Gains in due course.
- 3.4 Capital projects, such as the purchase of the West Wing Head Lease, can deliver VfM Gains so the Capital Programme will be kept under review to determine these as they arise.
- 3.5 The Council is committed to tackling Climate Change and the various initiatives will be kept under continuous review to measure the VfM Gains arising from these. The Council provides support to WinACC and was within the first wave of adopters to sign up to the '20% Carbon Challenge' to reduce its carbon footprint by 20% before the end of 2012.
- 3.6 The Council remains committed to the consideration of shared services where appropriate. This means that as well as looking for efficiencies and VfM gains within the Council, we are also exploring opportunities with other local authorities where we can secure joint efficiencies. A budget target of £80,000 has been set is shown as a potential forecast gain for 2010/11. Any part-year effects will reduce this gain for 2010/11, but not the ongoing gains from 2011/12 onwards.

OTHER CONSIDERATIONS

4 SUSTAINABLE COMMUNITY STRATEGY AND CORPORATE BUSINESS PLAN (RELEVANCE TO)

- 4.1 Efficiency makes an essential contribution to the Council's arrangements for value for money and use of resources, to continuous improvement and best value and in the successful delivery of the Council's Corporate Priorities.

5 RESOURCE IMPLICATIONS

- 5.1 The identification of VfM gains is intrinsically linked to the budget setting process and any identified gains increase the available resources, as reportable VfM gains must now all be 'cashable'.

6 RISK MANAGEMENT ISSUES

- 6.1 The risks associated with not achieving efficiency targets are included within Strategic Risk *SR0009 – Revenue Budget Overspend* for which the current risk score is 2; *Likelihood –unlikely; Impact – medium*.

BACKGROUND DOCUMENTS:

- DCLG Measuring and Reporting Value for Money Gains – 13 October 2009

<http://www.communities.gov.uk/documents/localgovernment/pdf/1356036.pdf>

- The Council's Efficiency Strategy 2007 – 2010

http://www.winchester.gov.uk/Documents/Committees/Cabinet/1500_1599/CAB1517.pdf

- Various documents held in Finance and other divisions.

APPENDICES:

Appendix A: VALUE FOR MONEY (VFM) UPDATE 2009/10 & 2010/11

Value for Money Gains (NI179) - Forward Look 2009/10 & 2010/11 Forecast				
	Net Cashable Gains (£)			
	2008/09 Outturn	2009/10 Forward Look (Target)	2009/10 Forecast	Potential 2010/11 Estimate (no inflation)
	£	£	£	£
VfM Gains Impacted from 2008/09 *	264,065	217,199	217,199	217,199
VfM Gains Identified 2009/10				
<u>Business Process Improvement</u>				
Partnerships Communication & Improvement Division reorganisation (10/11 nil redundancy costs)		59,675	9,749	59,194
RPLC LCP Arrangement		-	27,415	27,415
Tree Care Surveys		-	11,230	
Energy Savings		-	TBA	TBA
Tourism Marketing organisation		7,000	7,000	7,000
Flexible Resource Management		TBA	15,959	TBA
Parish Precepts payments		6,618	5,515	5,515
Office Support & Estates reorganisation		11,124	11,124	11,124
<u>Procurement</u>				
Mobile phones		TBA	-	7,000
External Printing		-	18,000	-
Software savings (LAGAN)		13,864	13,864	13,864
Council magazine reduced distribution costs		10,000	-	-
Mayoral Car & Chauffeur		7,000	6,000	6,000
Abandoned vehicles		5,000	5,000	3,000
Market running costs		5,000	-	-
Car Park advertising		5,000	-	-
Customer Services copier income		2,993	-	-
<u>Asset Management</u>				
Flexible Working Capital Project:				
- Abbey Mill Savings (NNDR / Cleaning / Gas & Electricity)		32,924	36,436	35,517
West Wing Head Lease purchase		112,658	118,486	157,981
<u>Collaboration</u>				
VfM Gains Impacted from 2009/10 & 2010/11	-	278,856	285,778	333,610
To be identified		3,945		
Total VfM Gains	264,065	500,000	502,977	550,809
Target	250,000	500,000	500,000	
Over / (Under) Target	14,065	-	2,977	

VfM Gains Forecast from 2010/11				
<u>Business Process Improvement</u>				
Cultural Services Marketing team reorganisation				10,000

	Net Cashable Gains (£)			
	2008/09 Outturn	2009/10 Forward Look (Target)	2009/10 Forecast	Potential 2010/11 Estimate (no inflation)
	£	£	£	£
Energy Savings				TBA
Financial supplies, services & bank charges review				3,000
Planning Division communications				12,000
Communications Team reorganisation				29,000
Revenues & Benefits reorganisation				35,000
Democratic & Member Services reorganisation				20,000
Guildhall employee reorganisation				5,000
Human Resources reorganisation				29,000
Legal Services reorganisation				33,000
Environment Division reorganisation				102,000
Planning Division reorganisation				11,000
Garden waste recycling				42,000
Building Control resource management				11,000
Strategic Planning resource management				45,000
Strategic Housing reorganisation				32,000
<u>Procurement</u>				
Statutory Notices Advertising				25,000
IT Support				76,000
Audit Commission fees reduction				10,000
External printing				20,000
Environment Division - clinical waste collection & bottle bank services				25,000
Postage to TNT from Royal Mail				10,000
Anite / Capita / Intelco / Switchboard / Telephones				15,000
Air Quality Monitoring Equipment				8,000
Microfilming Building Control records				8,000
CCTV Maintenance				20,000
Home Improvement Agency contract savings				3,000
<u>Collaboration</u>				
Provision of IT services to South East Employers income				5,000
Choice Based Lettings - Extension of Shared Services to Test Valley One-off Mgmt Charge income				8,000
Joint Benefits Investigation Team WCC & Test Valley income				15,000
Meadowside Leisure Centre				29,000
Shared Services				80,000
<u>Asset Management</u>				
Avalon House				TBA
VFM Gains Forecast 2010/11 Forward Look	-	-	-	776,000