

CABINET

14 OCTOBER 2009

PRINCIPAL SCRUTINY COMMITTEE

19 OCTOBER 2009

VALUE FOR MONEY (VFM) FORWARD LOOK 2009/10

REPORT OF THE CHIEF EXECUTIVE

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RECENT REFERENCES:

PS380: Value for Money (VfM) Backward Look, 13 July 2009

CAB1786: Budget and Council Tax 2009/10, 04 February 2009

CAB1724: Efficiency Forward Look 2008/09, 15 October 2008

CAB1682: Backward Look Annual Efficiency Statement 07/08

EXECUTIVE SUMMARY:

The purpose of this report is for the Council to set a target for its Value for Money (VfM) gains in the current financial year (2009/10) and to note initial forecast gains for 2010/11, which is the final year of the 3 year 2007 Comprehensive Spending Review period.

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 with tough budget conditions.

RECOMMENDATIONS:

To Cabinet:

1. That the NI179 target VfM Gains for 2009/10 be set at £500,000, and
2. that the initial 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 initial forecasts for 2010/11.

CABINET14 OCTOBER 2009PRINCIPAL SCRUTINY COMMITTEE19 OCTOBER 2009VALUE FOR MONEY (VFM) FORWARD LOOK 2009/10REPORT 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 passed (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 (Section 151 Officer) should see, certify and approve the final submission for NI179. This will be done after consideration by the Cabinet and Principal Scrutiny Committee and prior to 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: Forward Look 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 The target (NI179 reportable) efficiency gains for 2008/09 was set at £250,000 (minute to CAB1724 refers) and a total of £264,065 cashable efficiency gains were achieved (PS380 refers).
- 2.3 As part of the forward look 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 budget
  - all subsequent supplementary decisions made by Cabinet, and by Portfolio Holders
  - any further gains put forward by CMT and Heads of Division
- 2.4 The table at Appendix A provides an overview of the forecast VfM Gains for the 3 year CSR period. This begins with the VfM Gains reported in the outturn / backward look 2008/09, with ongoing gains inflated in future years as per the guidelines in NI179. Next are the 2009/10 VfM Gains identified from the 2009/10 budget setting process, adjusted in line with the Revised Estimate (considered elsewhere on this agenda), and lastly any new Gains which have subsequently been identified, which are also reflected in the Revised Budget Estimates. Initial figures for 2010/11 simply reflect ongoing gains from 2009/10, inflated. It is expected that further efficiencies for 2010/11 will be identified through the annual budget process.

- 2.5 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:

	<b>2008/09</b> <b>Actual</b> <b>£'000</b>	<b>2009/10</b> <b>Forecast</b> <b>£'000</b>	<b>2010/11</b> <b>Initial</b> <b>£'000</b>
Brought Forward From 2007/08	49	0	0
Procurement	30	79	79
Business Process Improvement	139	225	274
Collaboration	46	47	47
Asset Management	0	146	183
<b>Total</b>	<b>264</b>	<b>496</b>	<b>583</b>

- 2.6 The most significant gains contributing to the 2009/10 target are:
- *Flexible Resource Management* – FRM Savings are still to be quantified as only savings which have not reduced the level of service offered either externally or internally can be classified as VfM Gains.
  - *Partnerships, Communication & Improvement Division reorganisation* - A major review of the Partnerships & Communication and Design & Print Services was carried out at the end of 2008/09. The resulting reorganisation splitting Design & Print into two; with Design moving to Partnerships, Communication & Improvement and Print moving to Customer Services is forecast to realise an annual VfM Gain of over £100,000, although for 2009/10 it is assumed that one-off costs are offset against this.
  - *Purchase of West Wing head lease* - The West Wing Head Lease was purchased at the end of June 2009. With an annual rent payable of over £180,000 this realised substantial part-year (July 2009 – March 2010) gains in the revenue budget for 2009/10 and full year gains from 2010/11 onwards. After deduction of lost investment income on the capital cost of the purchase the VfM Gain for 2009/10 is forecast at £112,658, and the full year effect in 2010/11 at £150,211.
  - *Abbey Mill – change of use* - The Council is committed to a policy of Flexible Working and alongside this policy to make the most effective use of office space possible. Gains expected to be realised in the 2009/10 budget include, Business rates (£22k), cleaning (£7k) and energy (£3k)

### 3 Future Considerations

- 3.1 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: Waste Management / Grounds Maintenance; IT Support; and RPLC / Meadowside Leisure Contracts.

- 3.2 The Council remains committed to the consideration of shared services where appropriate. This means that as well as looking for efficiencies and value for money gains within the Council, we are also exploring opportunities with other local authorities where we can secure joint efficiencies.
- 3.3 It is expected that further potential Vfm gains will be identified as part of the process for setting the budget for 2010/11. Where possible these will be identified in the budget options presented for consideration.

## 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 6; *Likelihood – probable; Impact – medium*.

## BACKGROUND DOCUMENTS:

- DCLG Measuring and Reporting Value for Money Gains – 2 July 2009

<http://www.communities.gov.uk/documents/localgovernment/pdf/1272098.pdf>

- The Council's Efficiency Strategy 2007 – 2010

[http://www.winchester.gov.uk/Documents/Committees/Cabinet/1500\\_1599/CAB1517.pdf](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 gains (NI179) – Forward Look 2009/10

<b>Value for Money Gains (NI179) - Forward Look 2009/10</b>			
	<b>Net Cashable Gains (£)</b>		
	<b>2008/09 Outturn</b>	<b>2009/10 Forward Look</b>	<b>Initial 2010/11 Estimate (no infl.)</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>VfM Gains Brought Forward from 2007/08 *</b>			
Support to corporate directors	13,110	-	-
Business support review	4,610	-	-
CCTV contract re-tender	13,863	-	-
Public Notices	17,433	-	-
<b>VfM Gains Impacted from 2008/09</b>			
<u>Business Process Improvement</u>			
Cultural Services reorganisation	29,808	30,106	30,106
Performance and Scrutiny reorganisation	2,612	2,638	2,638
Environment Division reorganisation	26,392	26,656	26,656
Disestablishment of long term vacancies	80,122	80,923	80,923
<u>Procurement</u>			
Member training contract	3,000	3,030	3,030
Postal Service Provider	4,628	4,674	4,674
Disaster recovery - shared contract	10,000	10,100	10,100
IMT maintenance (LAGAN)	12,000	12,120	12,120
<u>Collaboration</u>			
Revenues reorganisation	39,472	39,867	39,867
BID Administration	4,894	4,943	4,943
NNDR Valuation processing	2,121	2,142	2,142
<u>Asset Management</u>			
	<b>264,065</b>	<b>217,199</b>	<b>217,199</b>

	Net Cashable Gains (£)		
	2008/09 Outturn £	2009/10 Forward Look £	Initial 2010/11 Estimate (no infl.) £
<b>VfM Gains Identified 2009/10</b>			
<u>Business Process Improvement</u>			
Partnerships Communication & Improvement Division reorganisation		59,675	109,120
Tourism Marketing organisation		7,000	7,000
Flexible Resource Management		TBA	TBA
Parish Precepts payments		6,618	6,618
Office Support & Estates reorganisation		11,124	11,124
<u>Procurement</u>			
Mobile phones		TBA	TBA
Software savings		13,864	13,864
Council magazine reduced distribution costs		10,000	10,000
Mayoral Car & Chauffeur		7,000	7,000
Abandoned vehicles		5,000	5,000
Market running costs		5,000	5,000
Car Park advertising		5,000	5,000
Customer Services plan copier income		2,993	2,993
<u>Asset Management</u>			
Flexible Working Capital Project:			
- Abbey Mill Savings (NDR / Cleaning / Gas & Electricity)		32,924	32,924
West Wing Head Lease purchase		112,658	150,211
<u>Collaboration</u>			
	-	<b>278,856</b>	<b>365,854</b>
To be Identified		3,945	
<b>Total VfM Gains - Forward Look 2009/10 (General Fund + HRA)</b>	<b>264,065</b>	<b>500,000</b>	<b>583,053</b>
<b>Proposed Target</b>	<b>250,000</b>	<b>500,000</b>	
<b>Over / (Under) Target</b>	<b>14,065</b>	<b>-</b>	

Note: \* The VfM gains brought forward from 2007/08 are not continued as NI179 represents the total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 Financial Year. The remaining part year effects from 2007/08 were allowed to be carried forward in the 08/09 Outturn figure only.