Executive Summary

1. This report details the findings and recommendations of a review by the Performance and Resources Overview and Scrutiny Committee (OSC) into the County Council’s Efficiency Programme.

2. The review aimed to:
   - Ensure that the County Council’s approach to setting and meeting efficiency targets is robust.
   - Improve the understanding of efficiency savings and the role they play in the budget setting process for officers and members.
   (For further detail please see Annex B- Scoping Paper)

3. The County Council has a legal requirement to deliver a balanced budget on an annual basis. The government target of 3% cashable efficiency savings is not a legal requirement and is aspirational.

4. The government has set the requirement for local authorities, fire and rescue authorities and police authorities to report their performance against the 3% cashable efficiency savings target on 2009/10 Council Tax Bills. The allowance by government for the Council to include an additional £2.7m overachievement from previous financial years does not provide a true reflection of how efficiently, or not, the Council is working on behalf of the general public.

5. In increasing difficult economic circumstances working more efficiently in both terms of finances and delivering services should be the aspiration for any local authority or business. In previous financial years Council services have achieved cashable efficiency savings by making minor changes, such as introducing new ways of working or reducing staff numbers at no detriment to the level of service being delivered. In more recent times the Council has embarked on major schemes in order to achieve greater levels of cashable efficiency savings. The projects currently underway include Transformation and Pathfinder. The members of the Task and Finish Group advocate undertaking larger projects to achieve large levels of efficiency savings, as opposed to making minor adjustments to services as these are unsustainable in the long term.

6. The OSC identified during discussions that there were concerns arising from some cashable efficiency targets listed within the Cabinet quarterly budget monitoring report. The report highlighted that a small number of cashable efficiency savings would not be achieved by
individual services in the 2008/09 financial year and that no new efficiencies had yet been identified to meet the shortfall.

7. Members examined a selection of cashable efficiency savings that had been put forward by portfolios in order to understand how services were intending to achieve the savings. This process identified the complexities that services faced in differentiating between what constitutes a cashable efficiency saving and a service reduction. These complexities have led to some actions taken by services to set a balanced budgets being misclassified as cashable efficiency savings. Adversely, some services may not have put forward cashable efficiency savings as the definition of what constitutes such a saving is not clearly set out within council guidance.

8. The current reporting of cashable efficiency savings to members and officers is done on a quarterly basis and the final outturn is then reported to government using National Indicator 179 (NI179). The Task and Finish Group (T&FG) were concerned that taking a snap shot view when reporting cashable efficiency savings does not adequately reflect how these savings have been distributed over a number of years by services. A reporting mechanism needs to be implemented at a portfolio level to highlight which services have taken a disproportionate share of both cashable efficiency savings and service reductions over a period of several years. This would allow more informed judgements to be made about which services perform well in meeting their cashable efficiency targets year on year.

9. A pilot is currently underway using Performance Plus, the Council's performance management system, to bring together finance, performance and risk. If successful this system will allow both members and officers to make service decisions based upon all available information. Members were of the opinion that this system could lead to a shift in emphasis away from efficiency targets as a financial tool, therefore only meeting the minimum reporting standard and reporting to government on an annual basis. The future emphasis for the Council should be focused upon viewing efficiency as reducing or maintaining the financial input into an activity, whilst improving or maintaining the level of performance. This shift in focus would give the decision makers at the County Council a more holistic view of how services are being delivered and also to identify any areas of concern.

10. The Committee recognises the limitations of the review including comparisons with other local authorities to recognise best practice.

**Recommendations for Cabinet**

1. Members and budget holding officers are given clear definitions as to what constitutes ‘service reductions’ and ‘cashable efficiency savings’ and these are managed effectively.

2. In the event that the Performance Plus pilot is a success, the Council takes a more holistic approach to monitoring finance, performance and risk and reduce the resources currently focused on monitoring efficiency savings.

3. In the interim, the Finance service develop a process to highlight for each service on an annual basis the percentage change in budget due to a) efficiency savings b) service reductions.
INTRODUCTION

Why was the review carried out?

11. The Performance & Resources (P&R) Overview & Scrutiny Committee (OSC) identified during discussions about quarterly performance information that there were concerns arising from some Gershon efficiency targets. The report highlighted that a handful of Gershon efficiency savings would not be achieved by individual services in the current financial year (2008/09) and that no new efficiencies had yet been identified to meet the shortfall. Members are seeking to ensure that Buckinghamshire County Council (BCC) has a robust efficiency programme and that there is a clear understanding across the organisation about what constitutes a true cashable efficiency saving.

How the review was carried out

12. The P&R OSC decided at their meeting on 9th September 2008 that a Task and Finish Group (T&FG) of 4 members should be formed to carry out the work on behalf of the OSC. The T&FG consisted of:

<table>
<thead>
<tr>
<th>Name</th>
<th>E-mail</th>
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<tbody>
<tr>
<td>Mike Appleyard</td>
<td><a href="mailto:mappleyard@buckscc.gov.uk">mappleyard@buckscc.gov.uk</a></td>
</tr>
<tr>
<td>Trevor Egleton</td>
<td><a href="mailto:tegleton@buckscc.gov.uk">tegleton@buckscc.gov.uk</a></td>
</tr>
<tr>
<td>Alan Oxley (Lead)</td>
<td><a href="mailto:aoxley@buckscc.gov.uk">aoxley@buckscc.gov.uk</a></td>
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<tr>
<td>Steve Adams</td>
<td><a href="mailto:sadams@buckscc.gov.uk">sadams@buckscc.gov.uk</a></td>
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</tbody>
</table>

13. The T&FG gathered evidence from meetings with:

- Frank Downes, Cabinet Member for Resources.
- Helen Halfpenny, Client Transport Contract Manager, Transportation.
- Janette Eustace, Partnerships, Performance & Research, People & Policy.
- Clive Palfreyman, Assistant Head of Finance, Corporate Financial Services.

14. Written responses were gathered from:

- Ian Boll, Programme Manager, Strategic Transport Services, Transportation Services.
- Trevor Boyd, Divisional Director, Safeguarding, Children & Young People’s Services.
- Chris Garcia, Head of Community and Youth Engagement, Safer & Stronger Communities.
- Kerry Stevens, Head of Service Provision, Adult Social Care.
- Peter Loose, Head of Commissioning and Service Improvement, Adult Social Care.
- A literature review.

15. The Task and Finish Group would like to thank all contributors for their input into the review.
WHAT ARE EFFICIENCY SAVINGS?

Definitions

16. A cashable efficiency saving (cash-releasing) is defined by the Department for Communities and Local Government as reducing inputs (e.g. staff input, financial input) for the same outputs (the level of service provided remains at the present level or increases) or reducing prices for the same outputs1. An example of a cashable efficiency saving would be joining up back office services in partnership with other local authorities, therefore reducing costs but not decreasing the level of service or outputs provided. The money saved is then released for the local authorities to reinvest in front-line services and other core activities.

17. Non-cash-releasing efficiencies (non-cashable) represent an improvement in productivity and outcomes, but these are achieved without cash being released for reallocation to other frontline services, e.g. a local authority increases the cleanliness of its streets by 10%, but no additional funding is released2.

18. For more in-depth explanations and examples of what qualifies as cashable and non-cashable efficiency savings please see Annex A.

THE NATIONAL CONTEXT

19. In 2004 Sir Peter Gershon undertook a review entitled ‘Releasing Resources for the Frontline: Independent Review of Public Sector Resources3’. This review stated that the efficiency agenda is about improving productivity, getting more from the same resource, or achieving the same results for less resource. By working more efficiently in areas such as back office services, more money could then be reinvested into key front-line services such as transportation and adult social care.

20. The Gershon Review was published alongside the 2004 Spending Review (SR04)4 which imposed the levels of efficiencies that the public sector was expected to achieve from 2005-2008, this was set at 2.5% of a local authority’s net budget per annum. As a result local authorities in England were tasked with finding £4.3 billion of efficiency savings in this period, this target was exceeded. During the SR04 period the expectation from Central Government was that over half of the efficiency savings made by local authorities had to be cashable. In the event more than three quarters of local authority efficiency gains were cashable.

21. The 2007 Comprehensive Spending Review (CSR07)5 set new efficiency targets for public services. In SR04 the efficiencies that local authorities had to identify were both cashable and non-cashable. In CSR07 3% annual cashable efficiency savings have been built into the next 3 local government financial settlements (2008/09-2010/11), these require a further £4.9 billion savings to be made. In SR04 the 2.5% per annum public sector target was additional (2.5%, 5%, 7.5%); in CSR07 the target is multiplicative (3%, 6.1%, 9.3%)6.

22. As part of the CSR07 the National Indicator Set for local authorities and local authority partnerships was announced. National Indicator 179 (NI179) was introduced and is now the way in which local authorities in England will be reporting their performance against the government’s 3% cashable efficiency target. The target is not mandatory for individual authorities, although where there is evidence of underperformance; this will be followed up by the local Government Office. The National Indicator replaces the Annual Efficiency Statement (AES) which was the way in which local authorities reported their performance as a result of the 2004 Spending Review.

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2 Delivering Value for Money in Local Government: Meeting the challenge of CSR07, CLG, October 2007.
23. The challenge for local authorities to make higher levels of efficiencies may be further intensified as the Chancellor has set a target of a further £5 billion of efficiencies in 2010/11. It is highly likely that the Council will have to deliver 3.5% cashable efficiency savings, although no clear target has been set. This would require the Council to find a further £1.5m of efficiencies in 2010/11 (£10.5m instead of £9.0m).

THE LOCAL CONTEXT

24. The Council has a legal requirement to deliver a balanced budget annually. The government target of 3% cashable efficiency savings is not a legal requirement and is aspirational. A local authority can be meeting and exceeding the 3% efficiency target, this however does not guarantee that they are delivering good services to the public.

25. The government’s 3% cashable efficiency target has been reflected in the guidance provided to Heads of Service and Improvement Programme Managers, responsible for cross cutting Improvement Programmes. The Buckinghamshire County Council Medium Term Planning Guidance\(^7\) for 2009/10-2011/12 states that:

‘There is also an expectation that cashable efficiency savings of at least 3% will be demonstrated by each service, this will assist with containing any pressures within the cash limited budget and also meet the government set efficiency target for local government’

26. The Buckinghamshire County Council Corporate Plan 2005-09 (2008 Update)\(^8\) which is the key strategic document for the Council includes a specific target for cashable efficiency savings (please see below):

27. CP08.2b.1 Deliver 3% cashable savings in budgets across the council each year as set out in the annual efficiency statement

<table>
<thead>
<tr>
<th>2007/08 Target</th>
<th>2007/08 Result</th>
<th>2008/09 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>£7.021m</td>
<td>£6.214m</td>
<td>£6.245m</td>
</tr>
</tbody>
</table>

28. The Council agreed the budget in February 2008 for 2008/2009; the efficiency target included in the Corporate Plan was actually set at approximately 2.25% as opposed to the 3% stated as the target. Performance against the Corporate Plan target was slightly below target for Quarter \(^9\) in 2008/09. The level of cashable efficiencies achieved by December 2008 was £5.5m. It is expected that the target of £6.245m will be achieved or exceed by year end when other cashable efficiencies will be realised.

29. The Council’s overall performance against the cashable efficiency target in CSR07 will be reported through National Indicator 179 which is corporate reporting of efficiencies to government on a mid year estimate and end of year basis.

30. The cashable efficiency savings target has been set at £8.915m for 2009/10. This figure in the main does not take into account projected savings that will be made from the large corporate projects that are underway such as Transformation and Pathfinder (For further details please go to page 8).

31. It is important to note that the Dedicated Schools Grant (DSG) does not fall under the jurisdiction of the efficiency reporting in NI179 as this is a ringfenced budget.

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\(^7\) Medium Term Planning (MTP) Guidance 2009/10-2011/12, Buckinghamshire County Council.


32. The Task and Finish Group (T&FG), after holding discussions with the finance service lead on efficiency savings, chose to examine the current efficiency programme (2008/09). Members chose one or two cashable efficiency savings from each portfolio area to examine in further detail (Please see Table 1 for further details). The purpose of this task was to ensure that the efficiencies being claimed by individual services were genuine and not service reductions. The T&FG also hoped to determine if the efficiencies are deliverable and also sustainable.

33. Case Study 1 (see page 8) was selected by the T&FG to examine in further depth due to the complex nature and difficulties raised by the initial explanation of how the efficiency saving would be met. The transfer of budgets between services
Table 1- Sample of Cashable Efficiency Savings

<table>
<thead>
<tr>
<th>Service</th>
<th>Activity</th>
<th>Efficiency description</th>
<th>Efficiency in MTP £000</th>
<th>Efficiency expected £000</th>
<th>Variation (under) /over £000</th>
<th>Explanation for changes</th>
<th>Task &amp; Finish Group Commentary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community &amp; Youth Eng.</td>
<td>Youth Work &amp; External Funding</td>
<td>Youth Work &amp; External Funding</td>
<td>(50)</td>
<td>(50)</td>
<td>0</td>
<td>The removal of an operational manager’s post. Subsequently, the senior management team was restructured &amp; 2 more ops managers’ posts were removed. These were replaced by 1 senior manager &amp; 1 frontline member of staff. The addition of a frontline staff post constitutes an efficiency saving.</td>
<td></td>
</tr>
<tr>
<td>Adult Mental Health</td>
<td>Residential/ Nursing</td>
<td>More effective commissioning of residential /nursing care packages</td>
<td>0</td>
<td>(225)</td>
<td>(225)</td>
<td>Pooled budget manager finding savings through efficiencies as part of recovery action plan</td>
<td>This was offered up as an additional efficiency saving and was not in the original budget. The rationale for this saving constitutes a valid efficiency, reducing costs and reducing the number of placements.</td>
</tr>
<tr>
<td>Older People</td>
<td>Domiciliary Care (Internal)</td>
<td>Increase effectiveness of internal home care service.</td>
<td>(410)</td>
<td>(410)</td>
<td>0</td>
<td>This will be delivered through a 4 phase programme which will assess the effectiveness of the service, including the management structure &amp; altering the focus of the intake service. This constitutes an efficiency saving if performance is improved from less resource.</td>
<td></td>
</tr>
<tr>
<td>Physical &amp; Sensory Disability</td>
<td>Sensory Services</td>
<td>Review sensory services and save 25% of cost by reconfiguring provision of service</td>
<td>(62)</td>
<td>0</td>
<td>62</td>
<td>Cabinet Member has agreed buy back of this saving provided funding identified within service plan</td>
<td>Unable to ‘buy back’ an efficiency saving, once an efficiency saving is made it is removed from the base budget. It is more likely that this is a service reduction that has been bought back.</td>
</tr>
<tr>
<td>Safeguarding</td>
<td>Legal Service Level Agreement</td>
<td>9 care proceedings avoided</td>
<td>(155)</td>
<td>(155)</td>
<td>0</td>
<td>Family group conferencing &amp; the work using extended family to avoid family breakdown in order to reduce the number of both care proceedings &amp; out of county placements constitutes an efficiency saving. These are new ways of working which deliver better outcomes for customers.</td>
<td></td>
</tr>
<tr>
<td>Safeguarding</td>
<td>Looked After Children –Out county placements</td>
<td>B/fwd From 2007-2010 MTP</td>
<td>(193)</td>
<td>(193)</td>
<td>0</td>
<td>As above</td>
<td></td>
</tr>
<tr>
<td>Transportation</td>
<td>Passenger Transport &amp; Accessibility</td>
<td>Non recruitment of Passenger Transport Officer</td>
<td>(30)</td>
<td>(30)</td>
<td>0</td>
<td>A reduction in staff, which resulted in an increased workload for other members of the team led to a project slipping. This does not constitute an efficiency saving.</td>
<td></td>
</tr>
<tr>
<td>Service</td>
<td>Activity</td>
<td>Efficiency description</td>
<td>Efficiency in MTP £000</td>
<td>Efficiency expected £000</td>
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<td>-----------------------------</td>
<td>-----------------------------------------------------------------------------------------</td>
<td>--------------------------------</td>
</tr>
<tr>
<td>CYP Client Transport</td>
<td>Client Transport - Admin Recharge</td>
<td>b/fwd from 2007-2010 Medium Term Plan</td>
<td>(1,605)</td>
<td>(1,605)</td>
<td>0</td>
<td></td>
<td>See Case Study 1 below</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1,605)</td>
<td>(1,605)</td>
<td>0</td>
<td>This was a reduction of 1 HR Group Manager, &amp; the responsibility &amp; management was brought in with the Corporate OD Manager. A new method of capturing case management updates on a shared spread sheet was introduced; this meant a part time post was no longer needed to administer this. This would seem to constitute a valid efficiency saving as the service was reorganised and a new way of delivering a service was introduced.</td>
<td></td>
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</table>
Case Study 1

Previously there were several different services across Council portfolios that organised transport for clients. This arrangement was fragmented as different services either held individual budgets or organised their own transport. The grouping in one service of these elements should ensure that cashable efficiency savings are realised.

The Client Transport service now contains the following services- home to school transport, adult social care transport and transport for safeguarded children.

The budgets for all of the above now sit in the Transportation portfolio.

The £1.6m efficiency saving quoted in table 1 for the MTP period 2008/09 was set by Children’s Services prior to the budgets being transferred to Client Transport. The efficiency, if delivered, is owned by Client Transport despite the fact it was set by Children’s Services.

The efficiency is made up of 2 parts; the first is a 2.5% saving on procurement, the second being on management costs.

The underfunding of management costs (£760k) when the budgets were transferred from Children’s Services is part of the reason for the overspend included in the Council’s quarterly budget monitoring reports. The predicted overspend listed for Client Transport in the quarter 3 Cabinet finance report stood at £860k.

In the past Client Transport used to get a recharge for management costs from Children’s Services as they were organising transport on their behalf, although Children’s Services were the budget holders. So when Children’s Services put the efficiency forward for the 2008/09 MTP period they were no longer paying for management costs and claimed it as efficiency, although clearly the management of the service still had to be funded.

The management costs in total were nearly doubled from the £760k, due to the contract set-up costs and Amey’s management fee. Amey are charged with achieving efficiency savings of £1.6m by end of 2010.

34. The case study highlights a flaw in how cashable efficiency savings are put forward by individual services. Transferring services between portfolios may cause confusion over which service should claim the efficiency savings, if at all. The impact of the misclassification of the efficiency saving has led to additional strain being put upon the client transport budget. Checks and balances need to be put in place to ensure that instances such as this do not occur within the council as such situations put unnecessary strain on frontline services.

Monitoring Efficiency Savings

Officer Monitoring

35. The Chief Officer’s Management Team (COMT) for the 2009/10-2011/12 MTP have been through the process of examining the budget line by line. The purpose of this is to ensure that all service reductions, savings and efficiencies are sustainable and
also set to the levels outlined in the MTP guidance. The efficiencies that were put forward by services were either accepted or rejected on the basis that they were perceived as being service reductions, in which case a service would have to identify new efficiency savings, as opposed to cashable efficiency savings.

36. This was not the process used by COMT in the build up to the setting of the MTP in previous years. It is hoped that through senior officers examining the proposed budget together that there will be an improved understanding and consistent use of the terminology used to describe changes in the budget. It was noted within a member report on the MTP process\footnote{Report on the Medium Term Planning Process, MTP Working Group, Buckinghamshire County Council, July 2008.} that a ‘Clarity of definitions and expectations around ‘service reductions’ and ‘efficiencies’’ was needed. This comment was partially a result of members of the Performance and Resources OSC highlighting that during their examination of the budget in public for the proposed 2008/09 MTP these terms had been used in slightly different ways by Strategic Directors and Portfolio Holders across the County Council.

37. If there is not clarity amongst officers over the definitions of terms such as ‘efficiencies’ and ‘service reductions’ then the explanation of the budget as a whole to members both on Cabinet and amongst frontline Councillors will become problematic and clouded in confusion. The example of the physical and sensory service highlights the confusion that may exist. Table 1, which is information taken from the Annual Efficiency Statement (AES) for September 2008 clearly shows in the comment box that the ‘\textit{Cabinet Member has agreed buy back of this saving}’. However the Financial Services manager stated to the T&FG that cashable efficiency savings cannot be bought back as once an efficiency saving has been made by a service. Once an efficiency is made it is removed from the base budget permanently. It is likely that the efficiency saving has been misclassified and should be a service reduction or that the efficiency saving was initially out forward for the MTP and then withdrawn and replaced by another saving.

38. The possibility of requesting internal audit with reviewing services and evaluating whether they were run efficiently was considered by the T&FG. Members were told that efficiency savings are a part of all of the standard internal audits. A section for Value for Money (VfM) is included on the standard reporting template used by officers as part of monitoring.

39. Specific reviews into efficiencies and Value for Money are not undertaken as the Council already has a number of review type mechanisms in place.

40. This practice ensures that duplication of work does not occur and that findings do not contradict each other. Greater value is added by internal audit by picking up efficiency savings issues and wider VFM considerations as part of standard work rather than by undertaking specific reviews.

41. The Chief Executive will now monitor progress on delivering efficiency savings through COMTSTAT and budget monitoring reports. This will provide an additional arena for high level officer challenge between the Chief Executive and Strategic Directors.
Recommendation:

1. Members and budget holding officers are given clear definitions as to what constitutes 'service reductions' and 'cashable efficiency savings' and these are managed effectively.

Member Monitoring

‘A key driver for improved back office efficiency is effective internal political challenge’

42. The Performance and Resources OSC as part of their committee work do consider efficiency savings which are included within the quarterly monitoring reports. These reports are also considered by Cabinet, although both P & R and Cabinet do not scrutinise these in great depth.

43. The OSC also has the opportunity to scrutinise proposed efficiency savings put forward by Cabinet Members at their annual review of the Medium Term Plan (MTP). In addition to this members are able to challenge Cabinet Members on their current performance in relation to achieving efficiency savings within the current financial year.

44. The Audit Commission have provided a tool for both members and officers called the 'self assessment checklist'. The suggestion within the accompanying guidance is that overview and scrutiny should strengthen its monitoring role in relation to efficiency savings and the checklist provides a framework for members to do this effectively. A tool such as this could potentially be adopted by any overview and scrutiny committee wishing to scrutinise budget proposals.

45. Portfolio monitoring reports provide a table which details efficiency targets and performance against each service. The portfolio monitoring report should be available to the relevant Cabinet Members and Overview & Scrutiny committees. At present the other OSC’s do not monitor the portfolio reports that fall under their terms of reference. The impact of this is that there is no public overview and scrutiny member challenge at portfolio level throughout the financial year, apart from the high level monitoring reports received by both Cabinet and the P & R OSC.

46. Any significant issues or under delivery against targets will be captured in the Portfolio level summary in the Chief Officers’ Management Team (COMT) and Cabinet monitoring reports which can then be challenged by members.

47. The Cabinet Member for Resources also informed the T&FG that he sits down with the Strategic Director for Resources in order to receive updates on finance and to challenge areas of concern where appropriate. This monitoring includes efficiency savings. It is unclear as to whether all portfolio holders instigate similar meetings.

Reporting Efficiency Savings to the Public

48. The government see the efficiency agenda as a key component in ensuring that local authorities provide frontline services at the best possible cost to the public:

‘Efficiency is about spending better - making money go further and offering better value to council tax payers’

49. The government has set the requirement for local authorities, fire and rescue authorities and police authorities to report their performance against the 3% cashable efficiency savings target on 2009/10 Council Tax Bills.

50. The overachievement of efficiencies in the past 3 years can be included, and this for the council was some £2.7m to be added to the forecast efficiencies in 2008/9. As this is all cashable and ongoing, this will continue in future years. Councils can also include a number of cashable efficiencies which are outside of the MTP. These include the difference between average price increases in certain services (e.g. care purchasing and transport) against national benchmarks.

51. The allowance by government for the Council to include the additional £2.7m overachievement does not give the public a true picture of how the council is performing in the current financial year against the 3% efficiency target. As the overachievement of efficiency savings has been reported previously, it would seem that this practice is a form of double counting. A cynical view may be that a number of local authorities were not going to achieve the level of efficiency savings imposed by government and the allowance to include past overachievement will ensure that the vast majority do.

Performance Plus

52. A pilot is underway to develop reports that go to Cabinet and COMT that will show risk, finance and performance against a specific activity, e.g. road maintenance. These reports will allow Cabinet to assess whether the financial input is achieving the outcomes in terms of service delivery that they had hoped. The pilot is using Performance Plus (The Council’s performance management software) to ascertain whether this project is viable.

53. The Performance Plus software cannot be used to monitor efficiency savings effectively. The software could highlight over a number of years whether the council is spending less and achieving the same outcomes (delivering high quality services and meeting performance targets). This would indirectly show that the organisation was being run more efficiently.

54. The T&FG are of the opinion that if the pilot is successful, then less impetus should be placed upon monitoring and reporting efficiency savings. For example, the County Council should only do the minimum required to meet the government’s efficiency target and report on an annual basis, reporting efficiency savings to Cabinet should no longer form part of the finance report. The potential to view activities that the Council undertakes in terms of the financial input, the associated risks, the performance measures and customer complaints and comments gives an opportunity for the Council to take a more holistic view of whether it is providing a good service at the optimum cost for the public.

http://www.communities.gov.uk/localgovernment/efficiencybetter/deliveringefficiency/counciltaxnotices/

55. The T&FG recommend that in the interim the Finance Service should design a simplified reporting system (See Case Study 2 below) highlighting proportionate cashable efficiency savings made by each service, for example on a three year rolling basis. This would then highlight to individual Cabinet Members and those monitoring efficiency savings, the services that have taken the largest proportionate changes in budget over a set period of time (regardless of whether the efficiency saving criteria from government changes).

**Case Study 2:**

The graph below shows a simplified breakdown of a portfolio in terms of both service reductions and efficiencies over a period of 2 years. The intention of the graph is to highlight what percentage of each service’s budget, regardless of the ‘£’ value, contained within the portfolio has been reduced during a set period of time in order to show the pressures that any one service may face.

Service ‘A’ shows that consistent levels of both service reductions and efficiency savings have been made over the 2 year period.

Service ‘B’ shows a high level of both service reductions and efficiencies over a two year period when compared to the other services contained within the portfolio. Members and officers receiving such a report, which could highlight 3-5 year periods, might question the portfolio holder and senior officers as to why service B has taken such a disproportionate cut in relation to the other services within the portfolio.

Service ‘C’ shows a fluctuation in both efficiency savings and service reductions, but similarly to service ‘A’ there is a low level of both efficiency savings and service reductions.
Recommendations:

2. In the event that the Performance Plus pilot is a success, the Council takes a more holistic approach to monitoring finance, performance and risk and reduce the resources currently focused on monitoring efficiency savings.

3. In the interim, the Finance service develop a process to highlight for each service on an annual basis the percentage change in budget due to a) efficiency savings b) service reductions.

LARGE PROJECTS & MAJOR PROCUREMENT

56. Local authorities are working within tight and challenging budget settlements from central government. All local authorities have been working more and more efficiently to deliver key services to the public. In the current financial climate and in county where the demand on services is changing due to changing age profiles, councils have to work more innovatively to achieve efficiency savings. One way in which Buckinghamshire County Council are hoping to achieve increased levels of cashable efficiency savings is through large corporate projects which involve new innovative ways of delivering services. An example of this is how public sector partners are working together to join up back office services through the Pathfinder project in order to drive out and maximise the level of efficiency savings.

57. Within the County Council the Transformation programme has seven workstreams which will each produce cashable efficiency savings over a number of years. If successful, Transformation will generate £22 million of cashable efficiency savings, which will be removed from base budgets, by 2012.

58. The New Ways of Working projects are outlined below, along with their targets for annual cashable efficiency savings:

- **Built Environment**

  The re-letting of contracts for Highway Maintenance and Highway Design
  Target for recurring annual cashable efficiency savings: £0.5 million

- **New Ways of Recruiting**

  The County Council will continue to need to recruit new members of staff across all services. At present approximately 12% of the Council’s workforce turns over each year. There are opportunities for moving to generic recruitment practices with much greater on-line applications.
  Target for recurring annual cashable efficiencies: £300,000

59. The T&FG want to advocate organisational efficiency as opposed to portfolios and services being expected to make minor alterations to the way they work year on year. The large corporate projects highlighted above ensure that there a council wide view is taken of the organisation in order to ensure that where possible efficiency savings are maximised and new ways of working are investigated.

60. When Council agrees the MTP there are several contracts which have not been signed and therefore the expected level of efficiency savings cannot be guaranteed. In such situations a best estimate must be made using the most up-to-date
information available to the service to predict the level of cashable efficiency savings.

61. However, there are high levels of risk associated with relying upon large corporate projects to deliver cashable efficiency savings. Working with a number of public sector partners on the Pathfinder project is probably the highest risk of all the large corporate projects the Council is currently undertaking due to the number of bodies involved. Failure to meet deadlines in relation to delivering projects that will produce efficiency savings will impact on the Council’s year on year performance negatively, or mean that the shortfall in efficiency savings will have to be spread into other areas of Council services.

Conclusions

62. The main responsibility for the Council is to deliver a good value balanced budget year on year, not whether the government’s cashable efficiency target is met. A local authority can be meeting and exceeding the 3% efficiency target, this however does not guarantee that they are delivering good services to the public.

63. It is clear that the government set cashable efficiency targets are a useful way of getting local authorities to ensure that they are delivering quality services for the best price possible. The efficiency savings target focuses the mind and ensures that councils think innovatively about how to best to deliver services. Such innovation leads to projects such as Transformation and Pathfinder becoming key components to delivering high levels of savings and efficiencies for the Council, and in the case of Pathfinder its partners.

64. The confusion that seems to exist amongst both officers and members within the County Council about what constitutes a cashable efficiency saving and what constitutes a service reduction is a cause for concern. If the Council are to continue to report against NI179 then it important that all budget holders are provided with clear guidelines in order to prevent misclassification. Also setting out clear definitions and guidance may allow for additional cashable efficiency savings to be identified.

65. The government allowing councils to use cashable efficiency savings reported in previous financial years, in the County Council’s case a £2.7m overachievement, to boost their performance when reporting on the 2009/10 Council Tax bills would seem to devalue the purpose of the government efficiency agenda. This practice at face value does not seem to present the current performance of the council to the general public against the annual cashable efficiency target. The only situation in which such a practice may be considered fair would be if those councils that had underperformed in this time period had their previous performance deducted from the current financial years cashable efficiency savings, this would then give a balanced view nationally.

66. The use of performance management software, such as Performance Plus, should allow the Council to take a more holistic and informed view of how financial investment in services is delivering frontline services to the public. In an ideal world the Council would be investing less in a service but getting the same or better service being delivered to the public, of course this cannot always be the case. This
more holistic view, in the opinion of the T&FG, should lead to less emphasis and resource being invested in measuring and reporting efficiency savings in the future. The driver for efficiency should not solely be a financial measuring tool; the driver for efficiency should be the local authority wanting to deliver high performance and good quality services at the best possible cost to the general public.
ANNEX A

What Are Cashable Efficiency Savings?¹⁵

Reduced inputs for the same or improved outputs

In Year 1 a local authority spends £1m on its waste collection service. By renegotiating with the firm that provides this service, the local authority is able to reduce the price in Year 2 to £950,000 without any reduction in the level of service it provides to residents. This equates to a £50,000 cashable efficiency (excluding inflationary rise).

Reduced unit costs to meet increased demand for service

In Year 1 a local authority processes 100 applications for Blue Badges at a cost of £10,000. There is a 20% increase in applications for Blue Badges in Year 2, which it manages with only a 10% increase in costs, without reducing effectiveness.

Calculation: £10,000 plus inflation (3%) equals £10,300, plus 20% increase equals £12,360, minus £11,000 (the costs in Year 2) equals a £1,360 Value for Money (VfM) gain.

Increased demand for services and better income collection

In Year 1 a local authority has receipts of £100,000 from people attending a leisure centre that it runs. Following a successful advertising campaign costing £25,000 in Year 2, the authority has receipts of £150,000. This increase has arisen without increasing charges to the public or deterioration in service effectiveness.

Calculation: £150,000 minus £100,000 minus £25,000 (the costs incurred by the advertising campaign) a £25,000 VfM gain.

Reallocation of inputs from a low priority to a high priority area so that overall service effectiveness for a particular client group improves

In Year 1 a local authority spends £100,000 on maintaining a day centre which serves a small number of people. In Year 2, it closes the day centre, but recycles the money released into increasing the uptake (through additional support) of direct payments, which improves the quality of life for a greater number of people in that client group. The council incurs costs of £20,000 in making these changes.

Calculation: £100,000 minus £20,000 (costs incurred) equals a £80,000 VfM gain.

Asset optimisation and the sale of surplus, formerly operational, assets

A local authority sells an old office building, made redundant without impacting on service effectiveness, for £1m and the available market interest rate is 5%.

Calculation: 5% of £1,000,000 equals a £50,000 VfM gain.

Withstanding the impact of inflation

A local authority spends £1m in Year 1 prices on the purchase of office supplies. In Year 2 it holds these costs to £1m in Year 2 prices, while obtaining the same amount and quality of supplies. The GDP inflation rate between the two years was 3%.

Calculation: 3% of £1,000,000 equals a £30,000 VfM gain.

INELIGIBLE ACTIVITIES

Improvements in service quality for the same or greater inputs
A local authority improves the cleanliness of its streets by 10% without increasing the cost of its environmental services team.

While this is a welcome improvement for local residents, and may show as an improvement against other National Indicators, it is not cash releasing and therefore should not be included in NI179.

Any actions that lead to a reduction in overall effectiveness of a service
A local authority closes a little used library and uses the cash released to meet additional costs incurred in waste disposal.

Cuts in service provision to a particular client group like this do not produce valid VfM gains and should not be counted.

Imposition of new or increased charges to the public or business
A local authority increases the cost of entry to its leisure centre from £5 to £6 and obtains an increase in receipts of £10,000 per annum as a result.

While this will increase the cash resource for maintaining the service, it does not change the efficiency of its operation, so should not be included in NI179.

Reclassification of activities which don’t change either inputs or outputs
A local authority changes its accountancy records so that staff previously classified as ‘back office’ are now considered ‘front line’. The staff costs are the same, and the staff members do the same activities.

This is a purely internal reclassification of work, which has not changed the efficiency of its delivery, so should not be included in NI179.

Transfer of costs and subsidies to other public sector organisations
A local authority agrees a reduction in the rateable value of one of its properties and so pays less in National Non-Domestic Rates.

This change may benefit the authority, but not the public sector overall, since it means less resource is available elsewhere and therefore should not be counted.

Arbitrary cuts in payments to the VCS
A local authority ceases to support a community centre run by a voluntary group which has to increase its fundraising activities in order to maintain service effectiveness.

Actions like this, which cut against the principles of funding stability and full cost recovery for the VCS, do not produce valid VfM gains and should not be counted.
## ANNEX B- SCOPING DOCUMENT

<table>
<thead>
<tr>
<th>Subject of the Review</th>
<th>The BCC Efficiency programme and the efficiency savings agreed with CLG</th>
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<tbody>
<tr>
<td>Purpose of the Review</td>
<td>To clarify the existing BCC Efficiency Programme and review the confidence in the estimates of savings provided.</td>
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| Anticipated outcome(s) | 1. To ensure that BCC’s approach to setting and meeting efficiency targets is robust.  
2. Improved understanding of efficiency savings and the role they play in the budget setting process. |
| Reasons for undertaking the review, including where the ideas have come from | The 2008/09 Q1 Finance and Risk reports identified the Efficiency programme as an area of risk and the performance was below target. |
| Key Issues for the review to address | To ensure where some planned cashable efficiency savings are now unachievable, alternatives have been identified. |
| Methodology | Map the current efficiency programme at BCC in order to show identified savings, responsibilities, reporting chains, their current status and the role of Cabinet. |
| Press & Publicity | TBA |
| Key background papers | 1. BCC Efficiency Statement 2007/08  
2. BCC Quarterly Budget Monitoring Reports  
3. BCC Medium Term Planning Guidance 2009/10 – 2011/12  
4. BCC Corporate Plan 2005-09 (2008 update)  
5. COMT Risk Register  
| Written evidence to be provided by: | |
| Oral evidence provided by: | Chris Williams – Chief Executive  
Susan Barnes- Strategic Director for Resources  
Frank Downes – Cabinet Member for Resources  
John Huskinson- Financial Services Manager, Finance Strategy, Resources  
Other Relevant Strategic Directors |
<p>| Potential partners | None |
| Resources required | Policy Officer time. |</p>
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<tr>
<td><strong>Timetable</strong></td>
<td>Written report, with recommendations, to P&amp;R OSC @ 9th December 2008 meeting, with interim verbal progress report on 4th November 2008.</td>
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<tr>
<td><strong>Reporting mechanism</strong></td>
<td>Report to Cabinet Member for Resources and Cabinet.</td>
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