

	<p>Performance and Finance Select Committee 25th July 2007</p> <p>Report from the Director of Finance and Corporate Resources</p>
For Action	Wards Affected: All
<p>The Council's Efficiency Strategy</p>	

1.0 Summary

- 1.1 This report sets out the council's revised efficiency strategy which is part of the council's Medium Term Financial Strategy (MTFS). The strategy was approved by the Executive in April but it is evolving. Performance and Finance Select Committee are asked to comment on the strategy and suggest ways in which it can be developed further. The Committee are also asked to consider ways in which they can be involved in monitoring implementation of the strategy.
- 1.2 The report also includes the council's forward looking annual efficiency statement for 2007/08, which was also agreed at the Executive in April, and the backward looking annual efficiency statement for 2006/07, which was finalised earlier in July. These have been produced in line with guidance from the Department of Communities and Local Government and are part of the government process for monitoring implementation of the Gershon efficiency agenda.

2.0 Recommendations

Performance and Finance Select Committee are asked to:

- 2.1 Comment on the revised efficiency strategy in Appendix A and suggest ways in which it can be developed further.
- 2.2 Consider ways in which the Committee can be involved in monitoring implementation of the strategy.
- 2.3 Note the forward looking Annual Efficiency Statement for 2007/08 in Appendix B and the backward looking Annual Efficiency Statement for 2006/07 in Appendix C.

3.0 Background

- 3.1 The council has a track record of delivering value for money. This includes:
- The 17th lowest council tax in outer London (out of a total of 20 boroughs);
 - 3 stars out of 4 in the Audit Commission's assessment of value for money;

- Over-achievement of government efficiency targets set following the 2004 Gershon Efficiency Review;
 - Development of an ambitious corporate efficiency programme;
 - Delivery of a minimum of 2% departmental efficiency savings each year as part of the annual budget process;
 - Working with partners to improve efficiency including, for example, the integrated equipment store arrangements jointly run with health;
 - Taking a lead in the West London Alliance on development of shared services;
 - Development of a staff suggestion scheme which has led to a large number of suggestions as part of the Work Smarter initiative.
- 3.2 The existing efficiency strategy was developed in 2005 following publication of the 2004 Gershon Review. It included the setting up of an Efficiency Board, chaired by the Director of Finance and Corporate Resources, and the development of a number of efficiency projects under the main Gershon efficiency streams – procurement, transactions, support services, and productive use of staff time. It complemented the work of corporate groups such as the Improvement Board whose role was to take forward the Improving Brent agenda and the High Level Monitoring Group whose role has been to turn round poorer performing services. In so doing, the strategy contributed to the achievements set out in paragraph 3.1 above.
- 3.3 The existing achievements and strategy are a sound basis on which to build delivery of future efficiency savings. But more needs to be done if the council is to continue to improve services given the resource constraints the council faces. Government grant is expected to grow by less than the rate of inflation over the next three years and there is an expectation that council tax rises will also be below inflation. There will therefore be no real terms increases in resources at a time when population growth (particularly amongst the elderly and infirm) means increased demand for services, health costs are transferred to the council, waste disposal costs continue to increase because of shortage of landfill sites, and the cost of Freedom Passes continues to rise in line with increases in London Transport fares well above inflation. The council's Medium Term Financial Strategy identifies requirement for savings of £9.7m to £16.7m in 2008/09 on top of 2% service savings and a £1.5m corporate efficiency target, with further savings in subsequent years.
- 3.4 The council is committed to continued improvement in performance of services. Improvement in services with fewer resources to pay for them means radical changes to the way in which services are delivered – 'more for less'.
- 3.5 A number of ambitious projects have been developed as part of the corporate efficiency programme. Changes to customer services will radically change customer contact and the setting up of the People Centre and investment in new IT will make internal transactions more efficient. The major programme of invest to save schemes in children's services is aimed at changing the service from one whose principal costs – the number of children in care - are driven by the incidence of family breakdown to one that intervenes to prevent children coming into care in the first place.

3.6 There are other areas where radical changes to service design will deliver better outcomes for less money. The council will be consulting on a new approach to adult care which will promote choice and independence for vulnerable adults and move away from institutionalised forms of care. Similarly, the council is reviewing how it can ensure continuing development of the library service to make it fit for the 21st century. These changes, if agreed, will deliver savings which can be used both to reduce pressure on the council's finances and improve services but only if decisions are taken to discontinue current inefficient and ineffective service provision.

3.7 There are also a number of projects that meet key organisational objectives including environmental sustainability, more productive use of staff time, and better work-life balance for staff – but also, if properly linked to each other and the efficiency strategy, provide the basis for cashable savings which can be used to help bridge the budget gap. These include investing in energy efficiency measures for the council's own buildings, developing a staff travel plan aimed at reducing use of private cars by staff for home to work travel and travel whilst at work, piloting home and remote working, and developing an overall office accommodation strategy tied in with the longer term vision for the Civic Centre.

3.8 The council's income strategy forms an essential part of the efficiency agenda. There are a number of examples where the council has taken decisions in recent years to use charging as a way of promoting more efficient services, including:

- charging people in temporary accommodation for storage of furniture to ensure appropriate use of storage;
- increasing income generation from the cemetery service as part of an overall strategy to increase burial space;
- charging for bulky waste making it possible to promote use of the service.

Other opportunities need to be identified where increased charges/income can be associated with better service outcomes or more efficient use of resources.

3.9 The council is also committed to working in partnership to deliver improved services at lower cost. Work on development of shared services for West London Alliance authorities, funded through the London Centre of Excellence and led by PricewaterhouseCoopers, has identified three areas to focus on – children's services, adult service, and human resources. More detailed proposals are currently being developed. Similarly there are opportunities to develop shared services with other public service providers in Brent. Examples are the various agreements we have with the Brent PCT in areas such as joint equipment stores, learning disabilities, and mental health and the proposal to amalgamate street warden and safer neighbourhood teams. There are tangible efficiency gains from these developments as well as service gains. Friction between the PCT and the council resulting from the PCT's current financial difficulties means that new developments have been put on hold. But the need in the longer term to match the services we provide to the resources we have means that it is in all our interests to jointly move forward the efficiency agenda. Current financial difficulties may well act as a stimulus to do that. As part of this, we have agreed with our partners

that we will share much more openly our medium term financial strategies and the measures we plan to take to match spending and resources.

- 3.10 This is an ambitious agenda with a number of different streams and it is important that they are linked to achieve maximum impact on efficiency savings generated by the authority as part of the medium term financial strategy. That is the reason members are being asked to approve the efficiency strategy attached at Appendix A. The strategy:
- Sets out the reasons for up-dating the strategy;
 - Highlights the links to the council's overall performance management framework;
 - Identifies the various resource strategies – finance, human resources, procurement, property, IT – which will combine to help achieve service improvement and deliver efficiencies;
 - Lists the major projects the efficiency strategy will focus on;
 - Identifies the role of shared services in delivering the strategy;
 - Outlines the approach departments should be taking to drive out efficiencies as part of the annual service planning process;
 - Identifies ways in which staff will be involved in the process;
 - Sets out the governance arrangements, including member and officer responsibilities.
- 3.11 The efficiency agenda requires full sign up from all stake-holders. A key element is therefore going to be the communications strategy – with members, staff, partners and most importantly the public. The communications strategy is currently being developed and will form an important part of delivering the strategy.
- 3.12 Ultimately it will be members that determine the success of the efficiency strategy. Delivering efficiencies is not an easy option. It requires difficult choices about which services to deliver and which to pull out of. It requires long term thinking. It requires focus on the things that matter. It requires leadership which is clear about what the focus of the agenda is and is willing to follow that through. It requires effective engagement of members and the public in debate about what services the council can afford and the best way of delivering them. Whilst the lead has to be taken by the Executive, Scrutiny has a crucial role in ensuring that the Executive is carrying out its role in delivering the efficiency agenda effectively.
- 3.13 The council has a stark choice. It can continue to take a lead in modernising service delivery, taking advantage of changing needs of the population and new methods of working. The result will be that services change and improve. The alternative is incremental change and a salami slicing approach to managing services with fewer resources, resulting in reversal of recent improvements in services, a demoralised work-force, and a bad deal for the people of Brent.

4.0 Annual Efficiency Statement – Forward Look

- 4.1 As part of the government's monitoring of delivery of the Gershon efficiency programme, councils are required to submit forward looking, mid-year

monitoring, and backward looking annual efficiency statements which set out councils' strategy for delivering efficiency savings and the areas in which savings are planned to be/have been achieved. This helps ensure discipline in the approach to delivering efficiencies and has been a useful tool to prove to government that councils are becoming more efficient.

- 4.2 The efficiency statements have short-comings. They cover one year and therefore do not encourage a strategic longer term approach to delivering efficiency; some of the definitions of what counts as an efficiency saving and the difference between cashable and non-cashable are imprecise; and the basis for measurement of savings, based on guidance from government departments, is not consistent across all service areas. In addition, the savings have to be shoe-horned into government department categories so that each department at a national level can prove to the Treasury the savings it has made rather than into categories which meet individual local authorities' needs.
- 4.3 In Brent we have tried as far as possible to link reporting of efficiency savings to our annual budget process. Forward look savings, which are attached as Appendix B, are mainly those savings agreed as part of the 2007/08 budget report which can be properly considered efficiency savings. This excludes, for example, savings achieved as a result of increasing charges. These savings if anything underestimate efficiency savings within the authority. For example, they are based on the assumption that non-pay costs will increase by 2% - in practice, in key construction activities including building and highways work inflation in recent years has been running at between 5% and 10%. The forward looking efficiency statement in Appendix B included a prudent estimated efficiency gain of £300k for this in 2007/08. The backward looking efficiency statement for 2006/07 in Appendix C includes an actual efficiency gain of £681k.
- 4.4 The council has a stretch efficiency target based on the Gershon efficiency target for 2005/06 to 2007/08 as part of the Local Area Agreement. This requires cumulative efficiency savings by 31st March 2008 of £22.6m (at least 50% of which must be cashable) compared to an original Gershon target of £20.6m. The backward efficiency statement for 2006/07 in Appendix C shows that the council is currently on target to achieve this but officers will be monitoring it closely to ensure the target is achieved. Reward grant if the council achieves the target will be £765k, which will be received in two tranches in 2009/10 and 2010/11.

5.0 Financial Implications

- 5.1 The efficiency strategy is an integral part of the medium term financial strategy. However, there are no direct financial implications arising from the development of the efficiency strategy or submission of the forward looking efficiency statement.

6.0 Legal Implications

- 6.1 This report does not deal with individual efficiency schemes. Careful consideration will need to be given to each scheme and a further report or reports will be brought before members if necessary setting out the options and the legal, financial and operational implications of the proposal.

7.0 Diversity Implications

- 7.1 An Impact Needs and Requirements Assessment (INRA) was carried out on the 2005 efficiency strategy. This needs to be up-dated in the light of the new strategy that has been developed and in particular the inclusion of schemes which require fundamental service reconfiguration within it. In addition, each individual proposal will be screened to assess whether it has an equality impact and, where they do, a full INRA will be carried out.

Background Papers

- Gershon report – Independent review of public sector efficiency – July 2004
- DCLG and other guidance on the Gershon review and Annual Efficiency Statements
- Executive reports on Brent's efficiency programme in 2005
- Annual Efficiency Statements for previous years
- Value for Money self-assessments submitted to PWC in 2005, 2006 and 2007 as part of the CPA Use of Resources process
- Minutes of the Efficiency Board

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