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|-------------------------|--|---|--------------------|
| Subject: | Value for Money and Financial Planning Update | | |
| Date of Meeting: | 14 October 2010 | | |
| Report of: | Director of Finance & Resources | | |
| Contact Officer: | Name: | Nigel Manvell | Tel: 293104 |
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| Key Decision: | No | | |
| Wards Affected: | All | | |

FOR GENERAL RELEASE**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 This report provides an update on the council's Value for Money (VFM) Programme and other initiatives being considered to achieve substantial efficiency savings across the council over a four year period.
- 1.2 The Government's Comprehensive Spending Review will be announced on October 20th 2010. This will give headline information about the totality of local government funding. Detailed information on the implications for Brighton & Hove will only be known following the local government finance settlement. This is expected to be announced late November / early December. It is likely that more detailed information on specific grants will only emerge in the weeks after that.
- 1.3 In addition to the VFM programme and the work to develop budget strategies in line with the July Cabinet decisions, significant effort is being devoted to maximising the council's funding position. This report sets out the wide range of consultation documents that are being responded to at the moment and, in particular, highlights concessionary fares as a lobbying priority.

2. RECOMMENDATIONS:

- 2.1 That Cabinet notes the continued progress of the Value for Money Programme.
- 2.2 That the consultation documents on changes to elements of the local government finance system be noted.
- 2.3 That concessionary fares be prioritised for lobbying central government.

3. RELEVANT BACKGROUND INFORMATION

- 3.1 Value for Money (VFM) is a commonly used term across private and public sectors. Good value for money requires that the cost of providing services is appropriately balanced with the outputs and outcomes (results) required. The

council's Value for Money Programme is primarily concerned with achieving the same or, preferably, increased outputs and/or better outcomes while driving down costs by delivering services more efficiently. The programme aims to achieve substantial efficiency savings through significantly changing systems, processes and ways of working (e.g. mobile or home working), and further improving the use of resources, particularly property.

- 3.2 Since 2007 the council has regularly achieved efficiency savings of approximately £10 million per annum in response to challenging central government grant settlements, government efficiency targets, 'use of resources' assessments, and maintaining low council tax increases. The current VFM Programme was developed in response to revised projections about future grant settlements combined with recent upward trends in service pressures, which significantly increased the estimated savings requirements over the next four years to £15 million or more per annum.
- 3.3 Current projections about the potential implications of the government's Comprehensive Spending Review (CSR) suggest that over the 4 year period the savings required may be significantly underestimated. The council is therefore proactively responding by broadening the scope of its VFM work as well as implementing the new commissioning model.
- 3.4 The current VFM Programme is therefore more transformational and ambitious in its approach than previous efficiency programmes and is aiming to achieve savings of up to £35 million over 4 years with potential ongoing savings of up to £18 million. Other opportunities are also being explored to increase the level of savings and/or reduce anticipated service pressures.
- 3.5 Following a prioritisation exercise, which took into account the scale of spend, areas of high cost, and experience from other authorities, the following high priority areas were identified for VFM improvement:
 - Adult Services – introducing new models of delivery and 'Personalisation' for greater choice (e.g. Personal Budgets);
 - CYPT – improving prevention, planning and delivery of care;
 - ICT – improving investment decisions and reducing infrastructure costs;
 - Procurement – making the best use of the council's buying power;
 - Sustainable Transport, Fleet and Outdoor Events – reducing costs by organising and procuring services and fleet more efficiently;
 - Workstyles – making more efficient use of our property estate by improving office working environments and using new IT to enable more flexible and mobile working.
- 3.5.1 The main areas of focus within each of the above priority areas are detailed at Appendix 1. The current VFM Programme started in January 2010 and is overseen by the VFM Programme Board which ensures that each project is appropriately resourced and has effective project plans and risk management arrangements in place.

4. PROGRESS TO DATE

- 4.1 The savings planned from the Value for Money Programme over the next 4 years were set out in the 'Budget Process & Budget Update' report to Cabinet on 22 July 2010. Across the six priority areas the anticipated savings (gains) are as shown in the table below:

Summary of Net VFM Gains (Benefits Realisation)

| VFM Project | 2010/11 | 2011/12 | 2012/13 | 2013/14 | Cumulative Gains - All Years | Total Ongoing Gains |
|-------------------------------|--------------|--------------|---------------|---------------|------------------------------|---------------------|
| | £m | £m | £m | £m | £m | £m |
| Adults Personalisation | 1.342 | 1.922 | 4.315 | 4.315 | 11.894 | 4.894 |
| CYPT | 0.984 | 1.519 | 2.565 | 2.972 | 8.040 | 2.450 |
| ICT | 0.105 | 0.315 | 0.525 | 1.050 | 1.995 | 1.050 |
| Procurement | 0.330 | 1.230 | 2.130 | 4.380 | 8.070 | 4.380 |
| Sustainable transport: | | | | | | |
| Bus Subsidies | 0.098 | 0.148 | 0.172 | 0.184 | 0.602 | 0.184 |
| Fleet Management | 0 | 0.150 | 0.150 | 0.150 | 0.450 | 0.150 |
| Sustainable Transport | 0 | 0.115 | 0.115 | 0.115 | 0.345 | 0.115 |
| Outdoor Events (Fees) | 0 | 0.060 | 0.060 | 0.060 | 0.180 | 0.060 |
| Workstyles * | 0 | 0.100 | 0.300 | 3.000 | 3.400 | 4.500 |
| Total VFM Programme | 2.809 | 5.559 | 10.332 | 16.226 | 34.976 | 17.783 |
| Net additional savings | 2.809 | 2.750 | 4.773 | 5.894 | | |

* Workstyles savings have been revised and include potential capital receipts

- 4.2 Further analysis will be required to determine whether gains result in cash savings ('cashable efficiencies') or whether gains reduce future potential costs and service pressures ('non-cashable efficiencies'). Both types of gains are important and can reduce the overall budget requirement for the council.
- 4.3 Services have re-prioritised existing staffing and resources to ensure effective support for the delivery and implementation of these projects. The projects also include other 'invest-to-save' resources and costs where these are essential to lever in the substantial value for money gains. Some of these are funded from external sources, for example, the Adult Social Care Personalisation project is substantially supported by government Social Care Reform Grant in 2010/11.
- 4.4 **Progress on individual projects:**
- Adult Social Care:**
- 4.4.1 Re-ablement services continue to be developed alongside collaboration with partners to develop the marketplace for Personal Assistants including a Personal Assistant (PA) Notice Board on the internet recently launched by the Federation of Disabled People. An accredited PA scheme, 'Support with Confidence', is also being developed for an expected launch toward the end of the year.

- 4.4.2 The service continues to trial referrals and case reviews through a new Resource Allocation System (RAS) which is used to identify indicative personal budgets for Self-directed Support.

CYPT:

- 4.4.3 Common Assessment Framework (CAF) activities are being improved to reduce the number of referrals that move on to more expensive social care interventions. The CAF is a standardised approach to assessing children and young people's additional needs. This works alongside the Team Around the Family (TAF) process which addresses these needs through improved action planning.
- 4.4.4 A more consistent approach to identifying children and young people's levels of need has been designed to reduce the number of inappropriate referrals into social work or child protection services. This involves adopting a 'continuum of needs model' similar to that developed by London authorities.
- 4.4.5 The Functional Family Therapy model is being tested with a small number of social work cases to understand whether this model can prevent cases moving on to become Looked after Children.
- 4.4.6 Similarly, the Family Pathfinder Service is working with a number of cases to see where prevention from re-referral to social care teams can be achieved.
- 4.4.7 An improved profile of children in care, child protection cases and children in need is being developed to more effectively target preventative work.
- 4.4.8 Early planning will be strengthened to improve the quality and timely completion of pre-birth assessments.

ICT

- 4.4.9 Work is now underway to develop detailed 'applications portfolios' to understand software application usage levels and identify areas where there are opportunities to share data across systems. This in turn will help to rationalise the number of applications and reduce support costs.
- 4.4.10 The service continues to develop and implement electronic document management (EDM), desktop and voice/data solutions to support the current Smartspace project (see Workstyles). This will enable remote and flexible working and the rationalisation of office space.
- 4.4.11 A range of ICT initiatives have been identified by the South East 7 (SE7) group of authorities who will combine resources, knowledge and skills to identify improved ICT solutions, reduce procurement costs, and maximise ICT investment. Information about SE7 is included elsewhere on the agenda.

Procurement

- 4.4.12 Two short term 'Category Managers' have now been engaged (Fleet and ICT) to ensure delivery of procurement savings in these areas.
- 4.4.13 The Corporate Procurement Team have identified a wide range of potential procurement efficiency opportunities which should save in excess of £0.8 million in 2011/12. These include the following contracts and external services where potential efficiencies range from 2½% to 25%:
- Desktop & Laptop computer replacement including imaging and delivery
 - Cabling and Server Storage
 - Internet Provider Services
 - Bulk Printing Services
 - Modern Records Services
 - Application software licenses
 - Mobile devices and VOIP (Voice over internet) and Data services
 - Outdoor Play contracts
 - Home to School contracts
 - Groceries, provisions and stationery contracts
 - Legionella contracts
 - Corporate & Civic Window Cleaning services
 - Corporate buildings & boiler maintenance services
 - Leisure Management services
 - Corporate Cleaning & Materials (Facilities)
 - Advertising/marketing and Communications
 - Corporate Lift maintenance contracts
- 4.4.14 A government Procurement Card Scheme is also currently being piloted. Once this has been assessed, a corporate scheme will be designed and a mini-competition conducted to select a card provider. Each department/delivery unit wishing to adopt the use of cards will need a separate business case. Although some discounts will be available through the use of procurement cards by accessing internet suppliers or special offers, the main benefits to the council will predominately come from making the ordering and payment process more efficient and removing/reducing the need for petty cash and some bank accounts. This will reduce the overhead costs in these areas.

Sustainable Transport, Fleet and Outdoor Events

- 4.4.15 A Vehicle Replacement Programme has now been completed for Adult Social Care which indicates potential savings of at least £0.100 million per annum. Further replacement programmes will be developed for CYPT and environmental and cultural services. Savings are generated through standardised specification and brand selection and associated procurement savings.

Workstyles

- 4.4.16 Plans for the new Customer Service Centre and changes to office accommodation in Bartholomew House (known as 'Smartspace') continue to progress well and will enable the move of staff out of Priory House through better flexible working arrangements and improved IT capability. This will release substantial efficiency savings through reduced lease rentals for Priory House.

5. OTHER VFM INITIATIVES

- 5.1 The VFM Programme will generate substantial efficiencies but further efficiencies will need to be identified to meet the financial challenges ahead.

- 5.2 As previously reported, a programme of training in Systems Thinking (or "Lean") reviews has been provided across the council. A number of services have embarked on Systems Thinking reviews, as detailed in the 2010/11 budget strategy. These include:

- Revenues & Benefits
- Finance
- Development Control (Planning)
- Financial Assessment Services (Adult Social Care)
- Culture & Enterprise
- Housing Management

- 5.3 Other services are also expected to undertake Systems Thinking reviews over the next few years. Essentially, these reviews provide a better analysis of the way in which things are done and help to identify where there are blockages or delays or where processes don't work well from a customer perspective. The aim is to redesign the system of working so that a high percentage of services are provided 'right first time'. This can both improve the customer experience and also reduce the cost of dealing with customer enquiries, complaints, or having to 're-do' work.

- 5.4 Other potential areas for efficiencies will need to be considered. The CBI report, "Doing More for Less", identifies the following areas as having high potential for efficiencies across all areas of the public sector:

- 5.4.1 Re-engineering public services – the council's response to this will be through both a new commissioning approach (as set out in 'A Council the City Deserves' reported to Cabinet in July 2010) and through more widespread application of Systems Thinking reviews as described above;

- 5.4.2 Reducing non-essential expenditure – the council's response to this is to strengthen the governance (decision-making and controls) around ICT investments and Procurement decisions. Scrutiny of all non-essential expenditure will also be undertaken, aided by our response to the government's drive to increase transparency (e.g. publishing all expenditure over £500);

- 5.4.3 Reducing sickness absence costs – the council is continuing to develop well-being policies and practices to align with best practice in the public and private sectors;
- 5.4.4 Sharing services and resources – the council’s response is to look for partnership or collaboration opportunities with other agencies or councils where this can genuinely increase efficiencies or improve service quality. For example, working with the South East 7 group of authorities is identifying significant opportunities for maximising ICT investment and reducing costs by sharing expertise and capacity. Collaborative or joint procurement can also save money. Another example is the current collaboration with Sussex Police and East Sussex County Council to jointly procure Recruitment services.
- 5.4.5 Improving debt recovery and tackling benefit fraud – the council’s response has been to streamline the management of debt recovery to drive up recovery rates alongside the implementation of various fraud detection and prevention initiatives. However, other opportunities for improving recovery and fraud detection and prevention will be explored; some of these are likely to be backed by central government initiatives.
- 5.4.6 Using technology to boost productivity – the council’s response to this is the Workstyles project above (part of the VFM Programme) which aims to identify a range of ICT solutions to enable remote, home and flexible working (e.g. hot-desking) to reduce its office and carbon footprint. Further possibilities are likely as technology develops and/or becomes cheaper over the next few years. Productivity improvements are also linked to the aforementioned focus on well-being and Systems Thinking reviews.

6. FINANCIAL PLANNING

- 6.1 The Coalition Government has been consulting on a wide range of finance related matters, mostly about the distribution of different types of government funding, with the publication of 7 separate consultations as listed in the table below.

Timetable for 2010 Finance related consultation papers

| Government Department | Consultation | Response Deadline |
|--|--|---|
| Communities and Local Government (CLG) | Local referendums to veto excessive council tax increases | 10th September – Response submitted and reported to Governance Committee on 28th September |
| Department for Environment, Food and Rural Affairs | Distributing funding to Lead Local Flood Authorities for Local Flood Risk Management | 17th September – Response submitted |

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| CLG | Local Government Finance Formula Grant Distribution | 6th October – Response submitted |
| Department of Health | Consultation on changes to the allocation formulae for the learning disability commissioning transfer grant, preserved rights grant, aids support grant | 6th October – Response submitted |
| CLG | Revenue Support Grant top-slice for improvement services to Local Authorities | 6th October – Response submitted |
| Department for Education | Consultation on school funding 2011-12 – Introducing a pupil premium | 18th October |
| Department for Transport | Concessionary Bus Fares reimbursement arrangements | 11th November |

- 6.2 The Government has been able to set relatively short periods for each consultation because they are deemed to be technical in nature. Officers have been working on the responses with the Leadership and the Leader has approved the responses made to date. The consultation on local referendums to veto excessive council tax increases was also reported to Governance Committee on 28 September.
- 6.3 The spending review will determine the total amounts for all local government grants for next financial year and beyond so the grant distribution consultations are not about whether a grant will continue or how much it will be but rather about what share of the total grant pot each authority will receive. The intention in each response is to show justification of options that lead to a fairer distribution of resources nationally and that maximise the proportion of each grant received by the council.
- 6.4 Cabinet will be aware that the council is and has been for several years at the formula grant floor. This means that most changes proposed to the formula grant distribution will *not* change the amount of cash received by the council in the medium term i.e. any gains will be offset by reduced floor support and any losses will be offset by increased floor support. However, there are two areas within the formula grant consultation that will impact on the resources received by the council. These relate to: i) the question on whether the level of the floor should be set close to the average national grant increase; and ii) the changes brought about by moving responsibility for concessionary travel from district councils to county councils. A copy of the consultation response is included at appendix 2.
- 6.5 There is a further very recent consultation on the methodology used to reimburse bus operators for concessionary travel. Future government funding for concessionary travel and reimbursement levels pose the greatest financial uncertainty for the ongoing finances of the council arising from these consultations. The funding options exemplified in the formula grant consultation paper show that after the application of floor damping, the council could either

gain up to £1 million or lose approximately £0.1 million resources. Options to change the calculation of the amount the council pays to the local bus operators may give rise to similar large variances. The council will be lobbying relevant Ministers in these critical areas, particularly as the council believes it receives the lowest level of funding towards concessionary travel of all unitary councils as demonstrated by one of the tables in the response.

7. CONSULTATION

Each of the VFM projects will require extensive internal and external consultation with a wide range of customers and stakeholders. As and when implementation proposals emerge, the council's normal decision making and consultation processes will apply.

8. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 8.1 The VFM programme supports the council's medium term financial strategy and budget setting process. Costs associated with the delivery of the programme are funded partly by the council's VFM Transformation Fund together with additional one-off resources identified in the 2010/11 budget strategy approved by Full Council. Additional resources and/or costs may also be deployed in the delivery of VFM projects on an 'invest-to-save' basis subject to approval of a supporting business case. Some elements of the programme are also supported by grant funding, for example through use of the Social Care Reform Grant in Adult Social Care. The resources required to support the programme are also identified in the Medium Term Financial Strategy which will continue to be revised for future years depending on resourcing requirements.

Finance Officer Consulted: Nigel Manvell Date: 30/09/10

Legal Implications:

- 8.2 Cabinet has authority to agree the recommendations in section 2 of this report.
- 8.3 Further, the Value for Money Programme is consistent with the council's "best value" duty under section 3 of the Local Government Act 1999 to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Lawyer Consulted: Oliver Dixon Date: 03/10/10

Equalities Implications:

- 8.4 As implications for services become known, equality impact assessments will be carried out to establish equalities considerations. Services will be evaluated as the programme goes forward.

Sustainability Implications:

- 8.5 These will be evaluated across each work stream as the VFM programme goes forward.

Crime & Disorder Implications:

- 8.6 None directly.

Risk and Opportunity Management Implications:

- 8.7 Risks will be assessed by the VFM Programme Board as the programme advances and will be fully mapped and monitored in accordance with the council's Risk and Opportunity Management framework and good programme management practice.

Corporate / Citywide Implications:

- 8.8 The VFM programme is a key component for the success of 'A Council the City Deserves' and has strong links to 'Improving the Customer Experience'. The VFM Programme is also a critical element of managing services within a challenging financial environment over the next few years.

SUPPORTING DOCUMENTATION

Appendices:

1. Summary of Value for Money Programme Priority Areas
2. Copy of grant distribution consultation response

Documents In Members' Rooms

None

Background Documents

None