



## **Report to Cabinet**

**Subject**      **Local Government Efficiency Targets**

**Date**          **2<sup>nd</sup> December 2004**

**Author**        **Chief Executive**

The Office of the Deputy Prime Minister has recently issued to all local authorities an 'Information Pack' and a 'Technical Note' setting out in greater detail what the efficiency target is for local government, what local authorities will be expected to do and the approaches to measuring efficiency gains which are currently under consideration and evaluation by the Audit Commission.

The Information Pack outlines a number of ways in which the government considers that efficiencies can be achieved in the provision of corporate support services, the procurement of services, the management of property and the re-organisation and automation of transactional services such as Housing Benefit and Council Tax Benefit. The document emphasises in particular the need for authorities to look closely at joint service delivery and procurement, flexible and home working, increased use of information and communication technology and more sophisticated procurement practices, all of which are under active consideration within the Council.

I attach a copy of the technical note to this report for Members information. The note confirms that 'each council has a target to achieve annual efficiency gains of 2.5% of their 2004/5 baseline, of which at least half should be cashable'. The note explores issues to do with the management, measurement and auditing of this and, again, officers are giving consideration to the implications of this for the Councils own service planning and budgeting processes.

Members are asked to note this report.

# **Delivering Efficiency**

*in Local Services*

# Foreword

**by Nick Raynsford, Minister for Local and Regional Government**

The actions of local government are crucial to the challenge of creating sustainable communities – places where people want to live and work. With this goal in mind, it is in everyone's interests – national, regional and local – to work in partnership to promote efficiency, getting the most from available resources to enhance our service to local people.

As you are aware, the Chancellor of the Exchequer announced the results of the 2004 Spending Review in July this year. This included a target for efficiency gains in local government of 2.5% per annum, to deliver at least £6.45 billion by 2007/8 and, working together with your support, more than this may be possible. If you achieve more, it is a 'win-win' for your authority and the people you serve as councils are free to use every £1 of cashable efficiency gain to reinvest in local services or to hold down Council Tax.

I am pleased to introduce this Information Pack, which provides further information about what this announcement means for local government, what local authorities will be expected to do, and how the Government plans to support your efforts in achieving efficiencies. It also sets out when more detailed information will be available, as there is still more work to do within Government departments to finalise their efficiency delivery support programmes.

The first part of this pack provides an overview of the efficiency agenda being pursued by the Government, putting the local government element in its wider context. It explains who is involved in supporting your work to secure efficiency gains, including the vital role that we envisage for Regional Centres of Excellence. It also sets out the timetable for putting in place the system to measure efficiency gains by authorities.

The second part looks at how greater efficiency can be achieved in different services. This includes the basic approaches to achieving efficiency gains in local services, and contact details for further information. There is also a Frequently Asked Questions section, which provides the answers to many of the key concerns that I know people have currently.

This is an ongoing agenda and I will be sending you further information packs giving practical information and advice as work progresses. Nonetheless, I hope that this first pack will answer most of your initial questions and concerns about what the efficiency target means for your authority and local government in general.

Once you have read through the pack, if you have further questions, or good examples of action your authority has taken that has resulted in efficiency gains, or you have suggestions for future work in this area, please get in touch. Key contact details are given in Chapter 5 and the sections on each service sector.

I would like to emphasise here that finding efficiencies is not about cutting frontline services for users. Local government is uniquely able to deliver many of these services that people value most highly. This is about finding efficiencies in functions that are not unique to local government but are part of operating the business and any business – public or private sector – should be looking for this sort and scale of efficiency gain.

I know that there is already a great deal of experience within local authorities of successfully looking for and achieving efficiencies. Indeed, this is part of the Best Value duty to have regard to economy, efficiency and effectiveness to secure continuous improvements in performance.

We want to build on this existing good practice with you to deliver even better, more efficiently organised, public services.

**Nick Raynsford**

Minister for Local and Regional Government

# Comment from the LGA and IDEA

Local government has an impressive track record of finding efficiencies. This has always been integral to the achievement of value for money and it forms an important component of the Best Value regime.

The Government's Efficiency Review challenges the sector to accelerate the drive for efficiencies while continuing to invest in, and improve frontline services. To achieve this, authorities will need to collaborate to an unprecedented extent. The LGA, IDeA and fellow central bodies (EO, 4ps and LACORS) will work with Barry Quirk and Tim Byles to help deliver an integrated local government response to this challenge.

**Brian Briscoe**

Chief Executive

Local Government Association

**Lucy de Groot**

Executive Director

Improvement and Development Agency

# The Challenge of the Efficiency Agenda – by Barry Quirk

As ‘efficiency champion’ my role is to assist in the delivery of local government’s efficiency gains target for the coming three years of £6.45bn – acting as a point of liaison between central and local government alongside the Local Government Association (LGA). To this end I will support Councils in their drive for enhanced efficiency so that they can more readily release resources for re-direction locally.

In total, local authorities spend more than £86 billion each year in delivering services to improve both the quality of life and the quality of life-chances to people across the country. The new agenda of delivering identifiable “efficiency gains” provides Councils with a fresh discipline that will ensure that we focus on how best to get the most from taxpayers’ money. This will be achieved through the adoption of leading edge management practices, exploiting the potential of new information and communication technologies, and developing more focused delivery vehicles with private and voluntary and community, as well as public, sector partners.

For most local authorities achieving efficiency gains is already part of our everyday work as we try to improve our organisations to deliver more community value in a context of ever constrained resources. Many local authorities are already securing substantial efficiencies through innovation and investment in technology and rationalisation of corporate service and procurement functions. The efficiency gains agenda will encourage this work to be assessed and acknowledged across all Councils for the first time.

The Government’s Spending Review statement effectively sets every local authority a target for efficiency gains of 2.5 per cent per annum for each of the next three years – with the current year acting as the baseline. A key point with the overall target is that at least one-half of efficiency gains should be “cashable” (i.e. resources actually able to be redirected rather than securing improved efficiency through heightened productivity). This is a challenging target, but one that can be achieved and exceeded if we are to continue to build on our existing efforts to improve the overall efficiency of our organisations.

I realise that every Council has unique circumstances and distinctive challenges that will impact on its local approach to enhancing efficiency. My aim is to work with others, such as the Regional Centres of Excellence (RCEs), the LGA, the Improvement & Development Agency (IDeA) and the Office of Government Commerce (OGC), to assist Councils to deliver this agenda together.

The accompanying pack has been devised by officials at the Office of the Deputy Prime Minister (ODPM) and other government departments to assist you to come to grips with the new agenda.

Should you wish to contribute to the ongoing work in developing the efficiency delivery plans or have any outstanding queries left unanswered by the material in this pack, please do not hesitate to contact the key people at ODPM and those listed as contacts throughout the pack.

Finally, I believe that local government has the edge on other institutions within the public sector in delivering this agenda. There are brilliant examples of excellent practice in Councils across the country – we need to know more about what works well and share effective approaches to efficiency gains and resource re-direction.

Yours sincerely,

**Barry Quirk**  
Chief Executive LB Lewisham and  
Efficiency Champion for Local Government

# Efficiency Review and Local Government

**2.1** In August 2003, the Prime Minister and Chancellor of the Exchequer asked Sir Peter Gershon to undertake a review of public sector efficiency. It focused on the Government's key objective to release resources to fund the front line services that meet the public's highest priorities by improving the efficiency of service delivery.

**2.2** Sir Peter Gershon and his team worked closely with departments and other stakeholders and published the results in July 2004. The report identified auditable and transparent efficiency gains of over £20 billion in 2007-08 across the public sector.

**2.3** The report emphasised the need to ensure that efficiency gains are not delivered at the expense of quality of service delivery. Service cuts will not count as efficiency gains. Rather, efficiency in the public sector involves making the best use of the resources available for the provision of public services. Efficiencies are achieved through reforms that:

- Maintain the same level of service provision while reducing the resources needed or deploying fewer staff;
- Result in additional outputs, such as enhanced quality or quantity of service, for the same resources; or
- Remodel service provision to enable better outcomes.

**2.4** Over half the gains identified by Gershon are "cashable". These can be defined as those where there is a direct financial saving or benefit, with money released that can be spent elsewhere or recycled within a service to deliver better results. For example, it would ordinarily include gains through reduced property costs or re-engineering corporate services.

**2.5** The remainder of the gains are "non-cashable"; those where the gains do not necessarily lead to lower costs, but which lead to improved performance for the resources used. For example, it would include improved outputs, reductions in fees and charges, and frontline staff using their time more productively.

**2.6** The Spending Review 2004 translated the outcome of the report into an efficiency target of 2.5% per annum over the next three financial years across the public sector. Every local authority will be expected to meet this target and we believe that some will exceed it. Across the whole of Local Government the requirement is for efficiency gains of at least £6.45bn per annum by 2007/08.

**2.7** The achievement of the efficiency target that has been set will bring substantial benefits to local authorities. Most importantly, all the cashable efficiency gains made can be retained and recycled within local services. In short, the outcome would be to improve the quality and breadth of local services while minimising the need for increases in local taxation.

# Delivering Efficiency Gains

**3.1** Each Government Department has the role of promoting efficiencies in the sectors for which it has policy responsibility. The table below sets out those Departments that have a role in helping authorities to deliver efficiencies at a local level:

Department	Service Sectors
Office of the Deputy Prime Minister (ODPM)	Fire Service, Social Housing, the Supporting People Programme, and the cross-cutting work streams of Corporate Services, Procurement, Productive Time and Transactions
Department for Culture, Media and Sport (DCMS)	Cultural and Leisure services (for example, libraries and sports facilities)
Department for Education and Skills (DfES)	Education and Children's Services
Department for Environment, Food and Rural Affairs (DEFRA)	Environmental Services (e.g. waste management)
Department for Transport (DfT)	Integrated Local Transport
Department for Work and Pensions (DWP)	Benefits Administration (in conjunction with ODPM's work on Transactions)
Department of Health (DH)	Adult Care Services
Home Office (HO)	Home Affairs (e.g. the Police)

**3.2** In addition, the ODPM has the lead on co-ordinating central government activities to secure the efficiency gains required in local services, and in measuring performance. John Oughton, Chief Executive of the Office of Government Commerce (OGC), a part of HM Treasury (HMT), has overall responsibility for implementing the Efficiency Review.

**3.3** In his letter of 26 July 2004 to Chief Executives, Nick Raynsford, Minister for Local and Regional Government, set out the expectation that each local authority will achieve efficiency gains of at least 2.5% per annum.

**3.4** Each council is free to choose how best to achieve that expectation. No targets have been set for individual local services, which recognises the fact that individual authorities will have made more progress in achieving efficiency gains in certain sectors than others. Furthermore, it is clear that some authorities have made better progress on efficiency than others. Nevertheless, by working together and promoting good practice methods, we believe it will be possible for all authorities to identify ways of making improvements.

**3.5** Inevitably, there will be an impact on local authorities' relationships with their current and potential suppliers and stakeholders, both in the private and voluntary and community sectors. We are aware of this issue, and we recognise that it is something that authorities will wish to handle carefully.

**3.6** As part of this process, following Spending Review 2004, the Deputy Prime Minister appointed Barry Quirk, Chief Executive of Lewisham, to act as the 'Efficiency Champion' for local government. His role entails working with local authorities, government departments and other partners to reinforce the drive for improved performance, sharing and promoting best practice in efficiency.

**3.7** Tim Byles, Chief Executive of Norfolk County Council, has been appointed the 'Procurement Champion'. He has been a key driver in the Construction Task Force – 'Constructing Excellence' – and in helping to help establish the nine Regional Centres of Excellence (RCEs). He states:

*"My aim is to ensure that the Centres of Excellence are key gateways to efficiency in each region, building on the excellent examples of good practice already available across local government. We can now grasp practical opportunities to deliver both direct and support services better and more efficiently, and to redirect resources into the front-line services that matter to local people."*



**3.8** The RCEs are being expanded beyond the original focus on procurement, with additional resources being made available to support the increase in capacity required. RCEs will act to identify and disseminate best practice, promote partnerships, act as a focus for procurement consortia, strengthen training in procurement skills and monitor progress towards efficient ways of working across their regions.

**3.9** As well as the RCEs, you will be aware of the vital contributions being made by the LGA, IDeA, the Employers' Organisation and its regional partners, 4ps, Innovation Forum, Beacon Councils, and ODPM's Regional Directors of Local Government Practice. In addition, there are a number of revised 'Change Agents' roles to note:

- **Office of Government Commerce (OGC):** Following the Spending Review 2004, the OGC has a broad change agent role for procurement and corporate services. It will provide advice and assistance to RCEs as they continue to develop. It will also act to co-ordinate improved procurement in specialist areas, building on the work that OGC has previously undertaken to improve procurement and project/programme management for central civil government.
- **e-Government National Projects:** They are supporting the introduction of new technology in local authorities to improve service delivery. A series of roadshows are underway to provide guidance.
- **e-Government Unit (eGU)** is setting up a Transactional Services Change Agent (TxCA) to work with local authorities, RCEs and others to improve the delivery of services. The eGU is also developing its role as the IT Centre of Excellence and will operate as the IT Change Agent (ITCA) in securing efficiencies in corporate services.
- **The Highways Agency (HA)** will work with authorities to identify and deliver procurement efficiency improvements in the area of local road procurement. It will help authorities reassess and manage demand, shape key markets, and work to achieve collaboration to reduce spending.
- DfES are setting up a **Centre for Procurement Performance (CPP)** to work with its delivery partners across the education, skills and children and families system, including local authorities and the nine RCEs.
- DH will look to work with a number of local authorities to identify and spread best practice.

**3.10** The Performance Partnership, formed in 2002, consists of the Improvement and Development Agency (IDeA), 4ps, Employers Organisation (EO) and Local Authorities Co-ordinators of Regulatory Services (LACORS). Its aim is to help build local government capacity and support improvement in public services. Its key focus is on developing means of 'real time learning', providing a seamless service to local government in areas including:

- Support for local authorities to work together to share good practice and implement changes to deliver efficiencies;
- Continued provision of local support and training on a collective basis;
- 4Ps continued provision of dedicated Project Support and Gateway reviews to major PFI/PPP projects; and
- IDeA continued support to authorities to implement the national e-government strategy.

**3.11** For more information on the Performance Partnership's work in this area, you should contact Pat Woodhouse of the IDeA, whose contact details may be found in Chapter 5.

**3.12** More detailed guidance on how Departments and others will help local authorities to achieve efficiency gains will be published in December. The action plans developed by Departments and others will not remain static. Instead, they will continue to be developed in the light of experience and in conversation with stakeholders.

# Measuring Efficiency Gains

**4.1** Work is ongoing to develop suitable mechanisms that are both comprehensive and concise. It is our intention to ensure that measurement of gains will not be onerous and, where possible, we are seeking to use existing mechanisms such as the Comprehensive Performance Assessment (CPA) and statutory indicators. In addition, it is hoped that the data gathered will be useful in identifying practices that have been successful as well as those sectors that need more attention, to make further improvements.

**4.2** Information on the process for measuring efficiency is set out in the Efficiency Technical Notes (ETN) that each Department has produced. An ETN for Local Government as a whole is available from the ODPM website. Details on measurement are also available from ETNs for DCMS, DfES, DEFRA, DfT, DH and HO. These will be subject to further development and refinement following the outcome of consultation with local Government.

**4.3** To help determine the measurement approach, ODPM has asked INLOGOV, of the University of Birmingham, to undertake a pilot study of 60 local authorities this autumn. The study will test alternative approaches to measuring efficiency. Authorities will be asked for their views on criteria such as ease of assessment of efficiencies and usefulness in facilitating efficiency improvements.

**4.4** We will be asking local authorities to produce an Annual Efficiency Statement (AES) for each financial year. We fully recognise the importance of minimal burdens and the aim is to align closely to the budget and policy setting timetable for local authorities.

**4.5** We need to get the process right, so details of timescales are subject to consultation. However, at present, we envisage that the forward looking part of the statement should be a very brief, one or two pages long, outline of key actions that will be taken during the next year and the efficiency gains that are expected to result from them. We are consulting as to whether this should be due in either April or June. The backward looking part of the statement should be submitted in the June after the end of the relevant financial year.

**4.6** We have asked the Audit Commission to include an assessment of the annual statement of efficiency gains achieved in their 'use of resources' assessment for CPA. This would be incorporated into the annual external audit. Full details of how these Statements should look will be given in the detailed guidance to be published in December.

**4.7** Work is ongoing to develop an approach to assessing mid-year progress on efficiency. Our aim is that it should be informative, without increasing the burden on authorities. Details of this approach will be given in future guidance.

# Future Milestones and Key Contacts

**5.1** We plan to ensure that there is feedback from you to us and to each other through regional seminars and to use these, along with newsletters, to keep all Local Government stakeholders fully apprised of developments.

**5.2** The key milestones currently planned that you will want to be aware of are:

<b>December 2004</b>	Detailed guidance on delivering efficiency in local services will be published.
<b>April (or June) 2005</b>	Local authorities will need to submit the forward looking part of the AES for the year 2005/06.
<b>April (or June) 2006</b>	Local authorities will need to submit the forward looking part of the AES for the year 2006/07.
<b>June 2006</b>	Local authorities will need to submit the backward looking part of the AES for the year 2005/06.

**5.3** In the table below are the key contacts in central government for the overall local government efficiency work. If you have any queries on this work, or you would like to contribute to its development, please get in touch with one of these people. Contact details for specific service sectors and workstreams are given at the end of each of the factsheets that make up the rest of this pack.

Sue Reid	ODPM	sue.reid@odpm.gsi.gov.uk 020 7944 8760
Neil Reeder	ODPM	neil.reeder@odpm.gsi.gov.uk 020 7944 6916
Glynis Davies	OGC	glynis.davies@ogc.gsi.gov.uk 020 7271 2813

**5.4** The two 'Champions' appointed to assist in the delivery of the efficiency targets may be contacted at:

Barry Quirk	Efficiency Champion	barry.quirk@lewisham.gov.uk
Tim Byles	Procurement Champion	timothy.byles.cex@norfolk.gov.uk

**5.5** If you would like to speak to someone in the Local Government Association or Improvement and Development Agency, please contact:

Sarah Wood	LGA – Director of Economic and Environmental Policy	sarah.wood@lga.gov.uk 020 7664 3233
Keith Beaumont	LGA – Programme Manager, Local Government Finance	keith.beaumont@lga.gov.uk 020 7664 3336
Pat Woodhouse	IDeA – Director of Strategy, Information and Development	pat.woodhouse@idea.gov.uk 020 7296 6212

**5.6** RCEs will play a key role in helping local authorities to achieve efficiency gains in each region. The relevant contact details for each RCE are set out below:

Steve Holland	East of England	steve.holland@norfolk.gov.uk 01603 704014
Chris Allison	East Midlands	chris.allison@nottsc.co.uk 0115 977 3875
Julia Vernalls	London	julia.vernalls@alg.gov.uk 020 7934 9955
David Wright	North East	necpe@gateshead.gov.uk 0191 433 2230
Steven Pleasant	North West	steven.pleasant@tameside.gov.uk 0161 342 3053
Dr Andrew Larner	South East	andrew.larner@kent.gov.uk 01622 696317
Julian Morley	South West	j.morley@dorsetcc.gov.uk 01305 225391
Robin Edwards	West Midlands	redwards4@worcestershire.gov.uk 01905 766801
Tony Wiltshire	Yorkshire & Humber	tony.wiltshire@leeds.gov.uk 0113 247 5252

# Frequently Asked Questions Factsheet

## **Q1 What is the current position on the Efficiency Review work?**

**A1** This pack, along with the Efficiency Technical Note, published on the ODPM website, should answer most of your queries. Notwithstanding this, more details on actions to achieve efficiencies will be given in a second briefing pack that we plan to publish in December.

## **Q2 What was the Efficiency Review/“Gershon Review”?**

**A2** The Government announced in the 2003 Budget that there would be a review of efficiency in the public sector. Sir Peter Gershon was appointed to lead this review (informally known as the Gershon Review) in August 2003. The review drew on existing public and private sector best practice to identify sustainable efficiencies in public spending and examined the scope for efficiencies in the public sector’s procurement, policymaking and corporate and transactional services functions. The Review also developed recommendations to raise the productive time of professionals in schools, hospitals and the police, and more generally in the public sector. The recommendations were published alongside the Spending Review 2004.

## **Q3 Local Government is already highly efficient: how can you expect authorities to achieve more efficiency gains?**

**A3** We know that local authorities have made significant efforts in making efficiency gains in the past, but there is always room to explore the potential for further gains. More collaborative working, new technologies and different ways of working will all lead to further efficiency gains.

## **Q4 Isn’t this about making cuts in services?**

**A4** No, this is about achieving more and better results for the public for the same level of resources.

## **Q5 Do you expect Local Government to exceed the £6.45bn target?**

**A5** We expect Local Government to achieve £6.45bn efficiency gains by 2007/08, and we do not underestimate the effort that will be required to do this. However, greater gains may be possible, and we would encourage local authorities to seek to exceed their target to provide even better value for money in their services to the public. Departments will be working with local authorities to help them to find ways of doing this.

## **Q6 Has 2.5% already been cut from authorities’ overall budgets?**

**A6** No. Efficiency gains will enable local authorities to deliver more from the grants that they would have received in any event. Any efficiency gains accrued will be retained for investment into local services.

## **Q7 What baseline expenditure does the 2.5% target refer to?**

**A7** Each local authority has a target to achieve annual efficiency gains of 2.5% of their 2004/5 baseline, of which at least half should be cashable. It should be noted that:

- At this stage, subject to further consultation with local authorities, it is envisaged that the 2004/5 baseline expenditure figure be based on budget rather than out-turn, in line with the methodology for the overall baseline expenditure of local government;
- Transfer payments, such as gross expenditure on rent allowances or rebates, are not included in the baseline; and
- Efficiencies accruing from and relating to the delegated schools budget and police service expenditure are the subject of separate DfES and Home Office methodologies.
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## **Q8 Will the 2.5% target be based on local authorities’ Housing and Council Tax Benefit payments?**

**A8** No, baseline expenditure, from which the 2.5% target will be assessed, does not include such transfer payments made by local authorities.

**Q9 Will local authorities' performance on delivering efficiency gains be taken into account in CPA scores?**

**A9** We are currently working with the Audit Commission to consider how the Efficiency Review proposals will be reflected in the redesign of the CPA framework, in particular the use of resources block, from 2005.

**Q10 Why has there been no proper consultation on this matter?**

**A10** The Gershon Review worked with a range of partners including representatives from Local Government, the LGA, the Private Sector, and across departments, to establish realistic baselines, targets, and ideas for the achievement of Local Government efficiencies. ODPM and other government departments have continued to consult with a variety of interested parties on the best way to implement the Review's recommendations.

**Q11 What is the role of the private and voluntary and community sectors?**

**A11** Private sector organisations have been engaged in discussions to establish ideas for increased efficiency in Local Government through the CBI and individual companies. The private and voluntary and community sectors already play a significant role in helping local authorities to provide more efficient services and we expect that role to continue.

**Q12 Is there any scope for cross-public sector efficiency gains?**

**A12** There are many opportunities both in integrated service delivery and through the sharing of corporate service functions. We intend to explore these opportunities further and to look at the possible impact that Local Area Agreements could have in this arena.

**Q13 Are there any plans to restructure local government?**

**A13** There are no current plans to introduce changes to the structure of Local Government. However, we are aware that there are increasing signs of interest in unitary local government being introduced more widely. Reference is made to the fact in our recent publication "The future of local government: Developing a 10-year vision".

**Q14 How will your proposals fit with the development of a 10-year vision for local government?**

**A14** In "The future of local government: developing a 10 year vision" we set out an overall direction for reform. One element of this is that authorities should secure a wide range of high quality, cost-effective services. The document makes reference to the potential for greater efficiency and savings across the public sector and the opportunities that local government has to contribute to increasing public sector efficiency. The efficiency review process will take forward work in this area over the next three years.

**Q15 How will your proposals fit with the 'New Localism' agenda?**

**A15** ODPM and other government departments set the framework for local government, promote best practice, and in some cases lead initiatives to improve local services. It is local authorities themselves that will make the detailed plans and work out how best to improve efficiency.

**Q16 Will you be imposing solutions on local authorities that do not meet your expectations?**

**A16** We believe the overwhelming majority of local authorities are keen to improve the service they offer to the public. Therefore, they will not short-change the public on service provision, or hike up charges to the taxpayer. As a result, we are not currently planning any sanctions for local authorities, although this would be something that might be considered for any rare exceptions.

**Q17 What is the right balance between giving encouragement, incentives, directions and sanctions to local authorities to make efficiency gains?**

**A17** Government needs to talk and work with Local Government to achieve the efficiency target. At this stage, sanctions are not being considered. Some money will be available through the Capacity Fund to encourage authorities, but the real incentive will be the opportunity to recycle savings to fund frontline services and to achieve better results with available resources.

**Q18 Much of the £6.45bn efficiency gains target is expected to come from education. Will local authorities be expected to deliver those gains?**

**A18** A lot of the efficiency gains will come from schools, and much of these will arise from national reform programmes, such as school workforce reform, which are already in train. DfES and local authorities will need to work together to achieve the efficiency gains in education.

**Q19 There is a growing number of change agents. Doesn't there need to be more co-ordination and communication about the role of change agents?**

**A19** This Information Pack has been developed jointly between government departments to explain the context of efficiency targets, co-ordination of work, and support for local authorities. The cross-departmental work is being led by ODPM, but there are also some sector-specific activities.

**Q20 How will the RCEs fit with national activities and change agents?**

**A20** The RCEs, working in partnership with other key regional players, will be the lead change agent organisation in each region. Originally set up to lead on procurement, they will now have a much broader role, particularly in relation to transactions and corporate services, although they may also wish to work with authorities across the service sectors. Their work will be supported by the other change agents, which have more specialist experience.

# Corporate Services

## Introduction

**1** Corporate Services includes such functions as Finance; Human Resources (HR); Information and Communications Technology (ICT); Legal; Procurement; Facilities or Estates Management; and Marketing and Communications.

**2** There is a wide variation across local government with respect to the current efficiency of corporate service functions. We expect that efficiency gains can be made as a result of simplifying and standardising processes within authorities, across authorities, and across the public sector, as well as increased and improved partnership working across sectors.

## Actions to Achieve Efficiency Gains

**3** There are two key levers for achieving savings in this workstream:

- The e-Government National Projects
- The Regional Centres of Excellence (RCEs)

**4** Building on the work of existing networks, such as the regional e-Government groups, we will look to create stronger links between the e-Government National Projects and the RCEs to facilitate greater partnering amongst authorities. We will aim to create opportunities allowing authorities to call-off standard 'approved' corporate service solutions and intend to create a framework within which groups of authorities would share infrastructure and systems for their common processes.

**5** We will also investigate various models and route maps being adopted elsewhere in government. The RCEs will act as focal points for the dissemination of lessons learned and best practice.

## Links to Other Departments' Activities

**6** Further aggregation of corporate service processes and technologies becomes feasible as common and shared standards become more widespread. Increased transactional volume and improved efficiency could be achieved by encouraging local authorities to aggregate their back-office requirements with other public sector agencies (e.g. central government, Police, PCTs, FE sector) both at a local and broader geographical level.

**7** Closer working between local authorities and other public sector agencies is removing barriers and providing forums for senior managers to explore greater opportunities for joint corporate service delivery. We plan to encourage authorities to work together through the development of greater shared knowledge by the RCEs and the encouragement of national pilots. Delivery of services could be by the public, private or voluntary and community sectors.

## Contact Point

**8** The key contact points for this workstream are:

Sue Reid	sue.reid@odpm.gsi.gov.uk 020 7944 8760
Neil Reeder	neil.reeder@odpm.gsi.gov.uk 020 7944 6916
Mark Holder	mark.holder@odpm.gsi.gov.uk 020 7944 4450

# Procurement of Commodity Goods and Services

## Introduction

**1** This area includes energy, travel and subsistence, vehicles, ICT hardware, consumables, temporary staff, professional services, office equipment and supplies and telecommunications. It excludes elements of procurement relating to construction and premises, or to sector specific procurement.<sup>1</sup>

**2** We expect that efficiency gains can be released through improved contract management and partnership processes, and those achieved through the implementation of e-Government projects.

## Actions to Achieve Efficiency Gains

**3** There are four key levers for achieving savings in this workstream:

- The implementation of the National Procurement Strategy;
- The further development of Regional Centres of Excellence (RCEs);
- Enhancement of procurement professionalisation; and
- Rollout of the National e-Procurement Project.

**4** The National Procurement Strategy is now being implemented throughout local government.<sup>2</sup> It sets out the strategy for the way that local government, working with IDeA and other partners from public, private and voluntary and community sectors, can streamline procurement and pool buying-power.

**5** RCEs will take the lead role in promoting efficiency gains in procurement in all local service sectors apart from police and schools construction. Working in collaboration with authorities, the OGC, police authorities and the Building Schools for the Future programme, they will be helping you to achieve efficiency gains.

<sup>1</sup> e.g. adult social care, waste management, highways construction and social housing

<sup>2</sup> National Procurement Strategy for local government (2003), ODPM and LGA

**6** Business plans are currently under development so specific details are unavailable, but for them to receive a share of Efficiency Fund and additional Capacity Fund resources their activities will need to include:

- Encouraging the uptake of best-practice procurement processes;
- Promotion of greater use of framework contracts and pre-tendered 'call-off' arrangements for specific goods and services;
- The facilitation of enhanced joint working and wider use of consortia purchasing by authorities; and
- Commissioning training to promote professionalisation of the procurement function.

**7** As an illustration of this, the Yorkshire & Humberside RCE has set out plans to develop a regional supplier and contract management system. It aims to:

- Hold benchmarking pricing and performance data on all members contracts and suppliers;
- Share approved supplier lists; and
- Develop a mechanism for authorities to aggregate demand.



**8** Actions are well underway to disseminate e-Procurement. The national e-Procurement project is holding regional experience sharing workshops and monitoring rollout of e-Procurement. In addition the project will provide a Taskforce to support authorities struggling to implement e-Procurement.

## **Contact Point**

**9** The key contact point for this workstream is:

Helen Style [helen.style@odpm.gsi.gov.uk](mailto:helen.style@odpm.gsi.gov.uk) 020 7944 5157

# Construction Procurement

## Introduction

**1** This area relates to procurement of construction and premises. Crosscutting construction procurement sits with the broader approach to asset management, but it excludes sector specific construction for schools and roads.

**2** We expect that efficiency gains can be obtained by utilising a proven template from the ‘Rethinking Construction’ initiative. In particular, we intend to implement best practice findings identified by the Kelly Report on construction, and to work closely with the local government taskforce on construction.

## Actions to Achieve Efficiency Gains

**3** There are four strands where efficiencies can be made in this workstream:

- Efficiencies are deliverable from better use of existing building stock (occupancy rates, energy usage, etc.) and rationalising stock (consolidation and selling off/leasing redundant buildings);
- The better procurement of new construction;
- The promotion of home and flexible working will also reduce the need for office space; and
- The Lyons agenda to increase disposals of public assets will also encourage efficiencies.

**4** In addition, there are improvements to be gained through implementation of the National e-Procurement Project (NEPP).

**5** Working with other ‘change agents’ such as the OGC, the Regional Centres of Excellence (RCEs) will act to implement the lessons from the Constructing Excellence regional network by:

- Enhancing the use of framework contracts through Constructing Excellence,
- Promoting more use of joint working, such as use of the Procurement Centres of Excellence for specific ‘off the shelf’ service contracts, FM arrangements etc.;
- Creating buying consortia and strategic partnerships; and
- Developing unit costs for demonstration and Beacon projects using new procurement methods compared with traditional methods.

**6** In addition, working in co-operation with OGC market intelligence, the RCEs will engage with suppliers and contractors to prioritise and co-ordinate sector demand at regional levels.

**7** New arrangements for social housing construction procurement are being put in place, and these are being considered as a model to disseminate more widely.

## Contact Point

**8** The key contact point for this workstream is:

Peter Bishop  
Director – Local Government Task Force

peterbishop@lgtf.org.uk 020 7592 1100

# Productive Time

## Introduction

**1** This area involves changing work and management practices to maximise the amount of time that existing members of staff are engaged in productive work. Productive time issues for teachers and the police are covered in Annexes H and M respectively.

**2** Many local authorities are already engaged in efforts to improve services through developing flexible working, providing opportunities for home working and dedicated teleworking centres. Indeed, the use of flexitime systems is higher within local authorities than the wider economy. In places, there has been a shift in emphasis from counting working time to the management of outcomes.

**3** However these principles can be taken further. For instance, there is scope to introduce working patterns more tailored to needs of individual services through such means as extended public opening hours.

**4** The widespread adoption of new technologies should support flexible working patterns and reduce the time spent on unproductive activities, such as travelling and routine administrative tasks. Taken together, there is the opportunity to improve local services and the work/life balance of local authority staff. Better ways of working can reduce high staff turnover and costs associated with recruitment and training.

**5** The amount of time that members of staff spend in contact with the public varies hugely between services, and greater strides have probably been made in operative roles than professional ones. Productive time strategies need to include reviews of the bureaucratic burdens faced by front-line staff.

## Actions to Achieve Efficiency Gains

**6** Mobile working technology, piloted as one of the e-Government National Projects, will facilitate the use of teleconferencing and flexible and home working. This project looked at new opportunities including staff using hand held devices on site visits to avoid paperwork and duplication of activity, and the use of remote access to office systems to avoid unnecessary travelling and to increase productive time. Information on this project is being disseminated in a series of National Projects roadshows being hosted by ODPM.

**7** A further important area to address is the problem of staff sickness absence. Recent research by the Employers' Organisation for local government (EO) shows a strong correlation between low rates of sickness absence and determined attempts to 'manage out' the problem.

**8** ODPM plans to work with the EO, to implement the Staff Absence Strategy. This strategy will spread the best practice approaches that characterise authorities with the lowest rates of absence.

These include:

- the collection of a robust set of absence data;
- the building of a culture where people want to come to work that rewards good attendance and promotes healthy living; and
- appropriate use of HR, health and safety and occupational health advisers to work collaboratively to reduce absence through sickness and accident.

The Employers' Organisation has produced an executive guide for councils on key areas where effective people management can increase productivity, reduce expenditure and improve services:

- **Reducing sickness absence levels** – the guide lists indicators for effective measurement of sickness absence, together with a list of publications and support provided by the EO to help local authorities manage absence
- **Cost-effective recruitment** – the guide outlines ways to move towards e-recruitment methods that substantially reduce costs of new hiring. Case study examples are provided, along with a checklist of how to monitor progress
- **Re-shaping rewards and working time** – the guide considers means to reduce expenditure on premium wage rates and re-model the workforce to supplement scarce and expensive skills with appropriately skilled support staff.
- **Developing a pay and workforce strategy** – an effective workforce plan helps councils move towards more efficient service delivery. The guide has a checklist for assessment whether councils have an effective pay and workforce strategy

*"Improving Productivity and Efficiency: an executive guide"* is available from:  
[www.lg-employers.gov.uk/publications/](http://www.lg-employers.gov.uk/publications/)

## Contact Points

9 Key contacts for this workstream are:

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Tracey Connage,                      Tracey.Connage@lg-employers.gov.uk 020 7296 6731  
Assistant Director of Best Practice, Employers Organisation

# Transactional Services

## Introduction

**1** Transactional services undertaken by local government include the administration of Council Tax, National Non-Domestic Rates (NNDR), Planning, Council Tax Benefit and Housing Benefit. The transactions workstream applies to those efficiencies that can be gained through such means as shifting customers to more efficient channels and deploying best practice within each channel; and making a major shift from manual to electronic processing.

**2** There are wide variations in collection/administration costs between authorities. For example, the gap between the best and worst performing quartiles in respect of unit cost of Council Tax collection per dwelling is substantial, £11.60 best and £18.40 worst. It is important that any reduction in unit costs does not impact on quality and effectiveness, e.g. tax collection rates. However, based on the experience of existing projects, there should be scope for improved performance.

## Actions to Achieve Efficiency Gains

**3** There are four key mechanisms for achieving savings in this workstream:

- Building on existing projects and ensuring lessons are learned;
- Building on the work of the Strategic Partnership Taskforce to encourage large scale partnerships that deliver services;
- Encouraging greater collaboration between authorities; and
- Outsourcing delivery of particular workstreams.

**4** In taking these mechanisms forward, the Regional Centres of Excellence, working with other regional partners and National Projects, will have a key role. In addition, the CRM (Customer Relationship Management) project is an important e-Government National Project, facilitating corporate service integration, to improve processes and resource efficiency. ODPM will explore the current collection mechanism for NNDR.

Calculated from CIPFA FinGen statistics 2003/04.

## Cabinet Office, e-Government Unit (eGU)

**5** The eGU has established a Centre of Excellence in Service Transformation, the Transactional Services Change Agent (TxCA). It will provide a comprehensive service delivery framework, comprising standards, best practice guidance, cross-government service delivery mechanisms and standardised transactional service metrics.

**6** Working with the ODPM and RCEs, the TxCA will seek to identify opportunities for local authorities to benefit from the expertise and experience of others, and develop common solutions for shared problems.

## Housing Benefit (HB) and Council Tax Benefit (CTB)

**7** We – the Department for Work and Pensions – are committed to working with local authorities to deliver further improvements to benefit services. This commitment is underlined by the work we are taking forward, including:

- Delivery of the HB reforms set out in *Building choice and responsibility: a radical agenda for Housing Benefit* published in October 2002;

- Continuing to engage with authorities to help them deliver service improvements, for example through setting standards, making good practice and model products available, and providing direct consultative support;
- Integrating claims processes for HB with similar processes in Jobcentre Plus and the Pension Service;
- Looking to improve the information flows from DWP to authorities;
- Taking a more targeted approach to cutting out fraud and error;
- Undertaking research to gain a greater understanding of the costs of HB administration; and
- Encouraging and facilitating innovation, collaboration and improvement through the Performance Standards Fund and engaging with ODPM on e-enabling initiatives.

**8** We want authorities to deliver efficiency gains by improving their benefit services, for example by speeding up claims processing and putting more effort into combating fraud and error. Authorities also need to manage effectively the changes that the HB reforms are bringing and provide benefit services that meet the needs of customers.

**9** The HB reforms and the support available from us are intended to help authorities deliver improvements in respect of benefits. But there is much more that authorities can do themselves. This is because they have experience in making efficiency gains and understand the need to spread good practice and grasp new opportunities. Authorities can, for example, look at how they might streamline processes and improve practices, adopt joint working approaches, and make best use of new technology.

**10** We are looking to see how innovative approaches can be encouraged and take up of best practice maximised. The HB/CTB Performance Standards are being revised, so they are more focused on outcomes and key processes. We are also making changes to improve the way we inspect, monitor and support authorities.

## Contact Point

**11** The key contact points for this workstream are:

In DWP, dealing with Housing Benefit and Council Tax Benefit:

Barry Dennett	barry.dennett@dwp.gsi.gov.uk 020 7712 2223
Sue Reid	sue.reid@odpm.gsi.gov.uk 020 7944 8760
Neil Reeder	neil.reeder@odpm.gsi.gov.uk 020 7944 6916
Mark Holder	mark.holder@odpm.gsi.gov.uk 020 7944 4450

# Cultural and Leisure Services

## Introduction

**1** This document provides information about how DCMS proposes to facilitate the achievement of efficiency gains in local authority cultural and leisure services, gives examples of work already in progress, and identifies the main contact point in DCMS for local government efficiency review issues.

**2** DCMS is well aware that local authorities have extensive experience in making efficiency gains, and also that a great deal of work is already being done to make improvements in cultural and leisure services. The efficiency review should be seen as a continuation of that improvement programme, and an important opportunity both to deliver even more efficient and effective services, and to spread good practice.

## Work in Progress

**3** Examples of current initiatives designed to help authorities provide better, more efficient services are:

- **Procurement and Efficiency in Public Libraries:** this study will examine sources of public library funding, and how funds are used; it will explore opportunities for more efficient or effective use of existing budgets, and identify areas where there is a potential shortfall in revenue funding levels. Additionally, it will examine options for improving (a) the stock supply process in terms of efficiency and cost-effectiveness, (b) the potential for co-operation with schools, and (c) developing best practice and efficiency indicators for library services more generally.
- **Cultural Pathfinders:** The Cultural Pathfinder programme is looking to find 8–10 examples in England of good practice in making full use of cultural activities in delivering one or more of the Shared Priorities, and should therefore lead to future efficiency gains. These programmes will cover the range of cultural activities being pursued in local authorities.
- **Joint Cabinet Office/DCMS ‘Making a Difference’ Project: reducing Burdens in School and Community Sport:** this project is intended to reduce or remove bureaucratic burdens on front line staff in school and community sport by joining and simplifying funding streams, streamlining and simplifying application and monitoring processes, making these more proportionate and helping to identify and spread good practice
- **The Carter Review of the proposed National Sport Federation** will consider how additional funding can be attracted into support for sport.
- **CPA Culture Block;** we are working with the Audit Commission to secure improvements to the culture block in the CPA. In tandem with this work, we have introduced revised library standards and are piloting an associated BVPI.
- **Cultural Connections:** with the IDeA we have developed a new website, aligned with the Knowledge site, specifically designed to disseminate good practice in cultural and leisure services.

**4** This is by no means an exhaustive list, and there are many more examples of initiatives across the cultural and leisure sector that can contribute towards the government’s efficiency agenda. Although Libraries and sport have been identified as the highest spending areas and specific actions have been identified in these areas, it is our intention to look across the whole of cultural sector at the arts, museums and galleries heritage and tourism.

## **What will DCMS be doing to support the process?**

**5** The principal role for DCMS will be to act as a source of guidance, advice and information for stakeholders. One of the key features of this role will be the Cultural Connections website where local authority practitioners can access information about good practice (e.g. through case studies), engage in discussion about the latest issues, and keep track of progress with efficiency gains across the whole sector.

**6** We will seek to provide relevant guidance, advice and information through regular written communication (e.g. the CLOA Bulletin), at conferences and symposia, and through other appropriate media. Additionally, DCMS will be responsible for reporting to Ministers progress with efficiency in local government cultural and leisure sector. This implies the collection of information and data about relevant initiatives, as part of the normal process of performance measurement.

**7** To ensure the effective delivery of its responsibilities, DCMS has set up an internal project that will:

- Identify programmes and projects that demonstrate best practice in culture and leisure services in local communities.
- With local authorities, Local Government representatives (LGA, IDeA), NDPBs and other relevant stakeholders, identify examples of best practice for realising efficiency gains and providing better frontline services.
- Deliver a communication initiative on best practice targeted at local authority stakeholders, using all appropriate communication channels.
- With local authorities, ODPM, OGC, LGA and the Audit Commission, identify appropriate performance indicators to measure efficiency gains, without creating additional burdens.
- With IDeA, maintain the new Cultural Connections website to as a tool for discussion and dissemination of good practice.

## **Contact Point**

**8** Cathy Page is the DCMS Project Manager for local authority efficiency. She can be contacted on:

Cathy Page

cathy.page@culture.gsi.gov.uk 020 7211 6491



# Education and Children's Social Services

## Introduction

**1** The Department for Education and Skills aims to achieve efficiencies from Schools, Local Education Authorities and Children's Services. These will principally be achieved from improvements in productive time; procurement; policy funding and regulation and transactional services.

## Productive Time

**2** We aim to enable frontline professionals in schools to use their time more productively, helping institutions to achieve more with their resources. Benefits will be generated through workforce reform, investment in ICT and reducing administrative burdens. This builds on the work already going on in these areas including:

- The programme of school workforce remodelling including phased changes to the teachers' contract, additional investment in support staff, the creation of a new tier of more highly skilled support staff and quantitative and qualitative changes in how teachers actually spend their time.
- More effective use of ICT through accessing curriculum material on line, use of interactive whiteboards and computer-based marking, improved asset management through ICT, improved student and teaching management through ICT and development of e-learning standards to enable sharing of tools and resources.

## Procurement

**3** We aim to improve the procurement of goods, services and new school buildings. The Department plans to set up a Centre of Procurement Performance (CPP) to work with its delivery partners, including local authorities and the nine Regional Centres of Excellence being funded by ODPM. The CPP will have a national focus and will work in partnership with the sectors that make up the broader education system to promote the advantages and benefits of more cost-effective procurement arrangements and, in doing so, will strengthen procurement practice across the system.

**4** This builds on existing programmes such as Building Schools for the Future, making savings on capital procurement through aggregated demand and through the establishment of Partnerships for Schools, but also more widely across the whole field of construction and maintenance.

## Policy, Funding and Regulation

**5** We aim to streamline the delivery system for each sector through improvements in policy, funding and regulation, such as the lighter touch process for OFSTED inspection, streamlined data collection and reduced reporting and monitoring requirements introduced in the New Relationship with schools.

**6** In 2004-05 we increased provision for most Local Education Authority central functions by a smaller percentage than funding for schools, rather than giving both the Local Education Authority block and the Schools block an equal increase. We will be taking similar steps for 2005-06 and expect

this to continue in 2006-07 when the ring-fenced grant for the Schools Budget is introduced. This implies that more resources will go through to schools.

**7** We aim to achieve efficiency gains in Children's Social Services through a number of routes including the creation of Children's Trusts bringing together all relevant local authority services. Specific improvement programmes will be implemented such as the choice protects programme to improve the availability and skills of foster carers. Efficiencies will arise from the creation of extended schools and an increase in the proportion of childcare provision that is schools based and/or children's centre based.

## **Transactional Services**

**8** We aim to free up resources in Local Education Authorities from the cost of transactional services by simplifying systems arising from changes to the administration of student support.

## **Additional Gains**

**9** We will also pursue additional efficiency gains, including improvements in school-level financial management through the increased use of financial benchmarking information and dissemination of best practice. We envisage that efficiency gains will be promoted through a number of mechanisms:

- Improving the use of the existing benchmarking website launched in November 2003 through direct promotion and training – allowing schools and local education authorities to compare school finances with more efficient schools to inform school development and improvement plans;
- Improving the financial management abilities in schools and Local Education Authorities through modules in existing headteacher and bursar training programmes (e.g. NPQH and CSBM) and through the Financial Management in Schools Programme, including the Financial Management Standard and Toolkit.

## **Contact Point**

**10** The current key contacts for this workstream is:

Peter Clark

PeterD.CLARK@dfes.gsi.gov.uk 020 7925 6586

# Adult Care Services

## Background

**1** There is an understanding that we need to look at improving service delivery and quality of care for vulnerable adults through better ways of working, seeking better value for money, and sharing best practice between councils.

**2** The Care Services Efficiency Delivery Programme has been established to support the implementation of the recommendations of the Gershon Independent Review of Public Sector Efficiency. The Programme will work in partnership with local councils, the NHS and service providers.

**3** The aim is to realign resources to support front line care services that meet the needs of vulnerable adults through the implementation of efficiency gains and the delivery of improvements in the overall quality of person centred care.

## Working in partnership with councils

**4** The Programme team is currently engaging with and planning to visit a representative sample of local councils based on geography, type of council, population and activity, involving up to 56 local councils across England. The team will be working in partnership to:

- Develop a detailed understanding of how care services for adults are commissioned and delivered
- Explore jointly with councils, new ways of configuring, procuring and delivering care services in order to support the release of efficiency gains into higher quality and sustainable services for vulnerable adults
- Explore jointly with councils, the development of a care services efficiency excellence framework which incorporates the fundamental concepts of the European Foundation for Quality Management (EFQM) Excellence Model
- Build local efficiency partnerships
- Operate a confidential process (all data from councils will be anonymised and will not enable individual identification)
- Create and operate a transparent process that facilitates best practice transference and knowledge sharing
- Consider with councils, the relevance of good practice from other sectors to social care, in particular, the team will explore with councils the applicability of 'best in class' processes from other sectors to the delivery of care services
- Identify good practice for a more strategic approach and share this with other local councils in England

**5** In the first quarter of 2005, we will be developing pathfinder projects and there will be, through support from the Department of Health, the opportunity for individual councils to participate.

**6** The Programme will also contribute to the development of the New Vision for Adult Social Care ensuring that service delivery systems achieve person-centred care services. The Department of Health will be publishing a Green Paper on the New Vision during the current parliamentary session.

## Scope

**7** The scope of the Programme will focus on ‘core’ care services provided for ‘vulnerable adults’ defined as a person (aged 18 years and over) with care needs arising from:

- Age related difficulties and those with physical and sensory disabilities
- Learning difficulties
- Mental health difficulties
- Substance misuse difficulties

**8** These ‘core’ care services cover care homes, domiciliary care, extra care housing, intermediate care, and direct payments.

**9** The Programme will **not** be looking at PSS expenditure for children or for asylum seekers, since the Department for Education and Skills and the Home Office are managing these areas respectively.

## Market Research

**10** The majority of care services are commissioned from the independent sector. Through market research, we aim to assess and analyse the present and future size of the care market and predict the likely future development of care services needed for vulnerable adults. This work will include:

- Desktop research
- Qualitative research
- Quantitative research

**11** The market research process will include interviews with national representative organisations of care providers, key service providers, and the voluntary and community sector and will deliver evidence based insight on:

- Profile of care providers across care markets
- Financial performance and economic processes
- Provider views of the attractiveness of care markets and where future opportunities for investment are expected
- The development of possible operating models for delivering care services
- Barriers to and potential incentives for achieving efficiency gains in the supply of quality care services for vulnerable adults

## Summary

**12** We will use all this evidence – from local councils, market research etc – to develop efficiency solutions. The aim will be to find practical solutions that will enable councils to make the required efficiency savings while maintaining and improving the quality of services.

**13** The implementation of these efficiency solutions will succeed in aligning resources to support front line care services which meet the needs of vulnerable adults through the implementation of efficiency gains and the delivery of improvements in the overall quality of person centred care.

**14** The CSED Programme represents a unique opportunity to work together to drive forward real improvements in the quality of care for vulnerable adults.

## Contact Point

**15** The current key contacts for this workstream are:

Jim Lawler Jim.Lawler@dh.gsi.gov.uk 020 7972 4572  
John Crook John.Crook@dh.gsi.gov.uk 020 7972 4361

# The Supporting People Programme

## Introduction

**1** The *Supporting People* programme was launched on 1 April 2003 and provides housing related support to vulnerable people, to prevent problems that can often lead to hospitalisation, institutional care or homelessness. It can also help smooth the transition to independent living for those leaving an institutionalised environment. Examples of housing related support include enabling individuals to access their correct benefit entitlement, ensuring they have the correct skills to maintain a tenancy, advising on home improvements and accessing a community service alarm.

**2** The programme provides support services to over 1.2 million vulnerable people. It is delivered locally by 150 Administering Authorities (unitary authorities and County Councils) with over 6,000 provider organisations working to an estimated 37,000 individual contracts. The ODPM has the main responsibility for *Supporting People*, allocating grant to Administering Authorities and monitoring their performance. These councils then contract with organisations to provide the housing related support. A Commissioning Body (a partnership of local statutory housing, social care, health and probation services) sits above the Administering Authority and plays a key role in approving the local *Supporting People* strategy.

**3** In October 2003, the Government commissioned an Independent Review of *Supporting People*, in response to a significant growth in costs immediately prior to April 2003. This concluded that: “£1.8 billion is too much to pay for the legacy provision. It is important that the cost of the legacy provision is brought in line with the proper market rate for good quality strategically relevant housing services. It is also important that efficiency savings are optimised and secured as early as possible to release funds for new provision.” A work programme has been developed to take forward many of the recommendations. The focus is on delivering value for money and tackling demand led services that had too few checks on cost or quality.

**4** We intend to announce individual funding allocations to Administering Authorities for future years in the autumn. These will take account of work on identifying a fairer relative distribution of funds between Authorities and the evidence on opportunities for Authorities to make efficiency savings, particularly through better integrated planning and mainstreaming delivery of *Supporting People* services.

**5** A programme of the size and complexity of *Supporting People* cannot be re-engineered quickly, but many gains can be realised by applying existing authority wide efforts to achieve efficiencies to the programme.

## Actions to Achieve Efficiency Gains

**6** Although *Supporting People* is a new programme some local authorities have already been able to demonstrate significant efficiency gains and all are now well placed to identify and exploit the opportunities. We see a number of opportunities to improve efficiency, related in the main to applying mainstream, tried and tested approaches to the procurement and management of services. We have developed a programme to support the delivery of these efficiencies and also to capture learning from the higher achieving authorities for wider dissemination.

## 7 The work programme includes:

- Value Improvement Projects, which will involve an ODPM Project Team working closely with Administering Authorities across the 9 English Regions over an 18-month period starting in December 2004. The project will identify, evaluate and pursue opportunities to secure substantial improvements in value for money. A £500,000 fund to enhance authorities capacity to exploit the opportunities has been created and they will have access to advice, assistance and potentially additional resources from a number of other government funded initiatives.
- Additional funding of up to £2m which is being made available for around 50 Administering Authorities that have indicated they are currently behind with their service review programme. These reviews, which establish the relevance, quality and value for money of the current supply of services, must be completed by April 2006. A clear and costed delivery plan, backed by the Commissioning Body, will be approved for each authority receiving additional funding, and progress monitored by the ODPM.
- A 12 month programme, which will commence in April 2005, aimed at engaging the providers of *Supporting People* services in performance benchmarking to tackle inefficiency in service delivery and to drive out waste. The programme is funded by ODPM and delivered by the National Housing Federation and SITRA in conjunction with PriceWaterhouseCoopers.

## 8 Other work to improve efficiency in the delivery of the programme is currently being explored and includes:

- The use of web portals for all *Supporting People* contracts to will assist the creation and maintenance of a healthy supply market
- Procurement training for purchasers, which could us address some of the more urgent capacity issues within Administering Authorities helping make them better informed buyers of services in the short to medium term
- Capability training for suppliers to ensure they have a focussed bidding strategy, are properly geared up for the opportunities and understand how to best to present their businesses

## Links to Other Departments' Activities

9 Many of the vulnerable people who receive *Supporting People* services also receive other public services to help them maintain their independence, health and wellbeing. These services which may include social and health care, community safety, regeneration, education and employment training and are funded through programmes sponsored by DoH, DfES, DWP and the Home Office. There are clearly many opportunities for better co-ordination and joint procurement of these services with consequential efficiency gains and improvements in service delivery to the end user.

## Contact Point

### 10 The current key contact for this workstream is:

Andrew Kean     andrew.kean@odpm.gsi.gov.uk 020 7944 3358

# Social Housing

## Introduction

**1** Effective and efficient housing procurement is central to the delivery of our vision that everyone will have the opportunity of a decent home, in a sustainable community, at a price they can afford.

**2** Investment in housing and communities has increased to £38 billion over the five years to 2008. But the scale of the challenges faced remains high, and costs are increasing well above inflation, with land prices rising at a rate of more than 15% a year, and rapidly increasing construction costs. It is vital that we make the best possible use of the available public money. By saving money through more efficient procurement, social landlords can refocus resources to deliver better services for tenants.

**3** ODPM are committed to delivering significant efficiency gains, covering the whole of social housing, including capital works, management and maintenance, commodity goods and services.

## Capital Works

**4** To help social landlords do more with the money available for decent homes and capital works we will be setting up a network of local procurement consortia, to maximise efficiencies **throughout** the supply chain and reduce the cost of housing capital works projects. We have set up a £33 million Efficiency Challenge Fund, providing loans to fund the set-up of local procurement consortia.

**5** A successful model of this approach is already operating in Merseyside – Fusion 21. This has shown that collaboration on product specifications, work programmes and procurement can not only lower costs, but also improve quality and deliver wider community benefits, including training and employing over 500 local people.

## Management and Maintenance

**6** Management and maintenance accounts for the majority of expenditure on social housing – so it is absolutely vital that social landlords focus on improving efficiency in these services. We need to see social landlords investing more in planned maintenance, rather than expensive responsive and emergency repairs. We'll be monitoring this through our new best value performance indicators.

**7** We are piloting a range of innovative approaches to help social landlords deliver more efficient housing management and maintenance services (such as 'systems-thinking' to streamline service provision) and will roll out successful approaches identified from April 2005.

**8** There are examples of good practice out there, where efficiency has improved services as well as saving money. For instance, some social landlords are improving efficiency through innovative approaches such as tenant incentive schemes, handyperson schemes, and annual property MOTs. We want to see good practice such as this become common practice.

## Commodity goods and services

**9** We need to see social landlords switching more money from corporate service administration to the provision of new and better housing.

**10** Many organisations are already seeing what can be achieved through collective purchasing. A national collective purchasing agent for the social landlord sector, Procurement for Housing, was launched this year, offer savings through joint procurement of commodity goods and services (telecoms, gas, office supplies etc.).

## **New Supply**

**11** The Housing Corporation is making major changes to the way funds are allocated to improve targeting and value for money. The provisions in the Housing Bill to allow the Housing Corporation to pay grant to private companies will also have a role to play in increasing efficiency in new supply.

**12** We also want to see more use of supply chain partnering, to generate efficiencies through the whole construction process. Research commissioned from the Housing Forum shows its demonstrations projects have reduced new build project costs by up to 8% through partnering.

## **Next steps**

**13** We are dependent on social landlords to deliver the efficiency gains, so ODPM's key role will be to act as a source of guidance, advice and information and to communicate best practice. We would be interested in views and examples of other best practice that are already working in the sector. Consultation and discussion are key and to this end we are working closely with the Housing Corporation, HouseMark and the Housing Inspectorate.

## **Contact Point**

**14** The current key contact for this workstream is:

David Clarke

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# Integrated Local Transport

## Introduction

**1** The Department for Transport aims to support all local transport authorities in seeking efficiency gains in this sector, helping release resources that can be ploughed back into the delivery of front-line transport services. In particular we have identified the potential for efficiency gains in the areas of local transport capital spending, transport services funded through the Revenue Support Grant and roads procurement. This process will be closely based on collaboration and joint working between central and local government and we are fully engaged in taking this forward. As a first step, we are looking at a number of initiatives that we will be discussing with stakeholders as we go forward.

## Procuring Bus Services and Concessionary Fares Schemes

**2** We will work with local authorities to maximise efficiencies in the procurement of socially necessary bus services and in maintaining concessionary fares schemes, principally through improvements to administration and tendering processes.

- **Best practice in tendering for bus services.** We are committed to the dissemination of best practice across local authorities currently engaged in tendering by developing and rolling out a procurement best practice framework. This will help you to achieve a good level of competition, procure the most effective bus services and achieve maximum value for money. We are involving external consultants and talking to ODPM and Regional Centres of Excellence as well as local government and bus operator colleagues to ensure that we provide the best advice possible.
- **Accessibility Planning software** being developed by the Department will help you better identify demand for socially necessary services. This will support you in achieving delivery better targeted at your current and future transport priorities. This will be supported by recent changes to tendering rules to give local authorities more freedom to negotiate contracts where this is appropriate, rather than use competitive tendering. We also plan to extend the maximum length of contract. These changes are designed to help local authorities to get a better price from bus operators.
- **Concessionary fares administration.** DfT is looking to streamline the administration of concessionary fares, aiming to achieve efficiency savings through the reduction of bureaucracy. Preliminary work with TAS has identified some good practice where neighbouring authorities 'club together', and we will be working with them to take forward their recommendations.

## Local Transport Planning

**3** We will develop a range of measures to support the achievement of efficiency gains in local transport capital budgets to maximise output within allocated resources.

- **Better local transport planning.** New LTP Guidance, recently out for consultation, provides a clear focus on priority outcomes and incentives for delivering good value for money. This builds on the established LTP development and assessment that already rewards cost efficient delivery. Continuing our engagement work, we also aim to work with you to understand what your local targets are and the best value for money solutions for delivering them.
- **Best practice on procurement for light rail schemes.** DfT major project teams are already working closely with local authorities that are developing or reconsidering light rail proposals. In particular, they are focusing on procurement arrangements; taking into account

best practice from schemes across the country; and how the policies in ‘The Future for Transport’ can help to deliver viable light rail schemes. Taken alongside the conclusions of the recent NAO report on light rail, these activities should enable the development of clear best practice guidance which will encourage more efficient and less costly procurement of light rail schemes. We are also considering the inclusion of assessment criteria for major schemes based on project management in the next iteration of the major scheme appraisal guidance.

## **Highways Agency – Roads Procurement**

**4** The Highways Agency intends to work with you to identify and deliver procurement efficiency improvements in the area of roads procurement, building on their experience. The Agency will help you to re-assess and manage the demand for roads procurement, shape key markets and achieve collaboration to reduce spend. More specifically the Agency will work with you to achieve:

- Greater standardisation of requirements
- A more thorough understanding of the real level of demand across the public sector, challenging requirements and improving demand forecasting
- Rationalisation of the supplier base
- Greater use of current and future cross-Department framework and call-off contracts to aggregate volume and reduce unit prices
- Improvements to the professionalism of the procurement operation, including leading to cutting local overhead costs.

**5** The Agency has already written to all local highway authorities and has held more detailed discussions with some transport officials and other stakeholders to begin to explain their approach and to exchange ideas about highway project procurement and delivery principles. The Highways Agency will continue to take this work forward and hope to identify possible pilot collaborative contract (HA/LA) opportunities within the next few weeks. A key part of the HA’s approach will be to invite you and other stakeholders to comment about how improvements might be achieved, how the HA can help you, and to seek your views about both their proposals and potential barriers to success – and how these might be overcome. This formal consultation will take place during November and December.

## **Contact Point**

**6** The current key contacts for this workstream are:

Rosalind Wall  
Anne Stanford

rosalind.wall@dft.gsi.gov.uk 020 7944 5361  
anne.stanford@highways.gsi.gov.uk 01234 796251

# Home Affairs

**1** Working with partners in local government, the police service and elsewhere, the Home Office will focus on increasing value for money (VfM) in policing, provision of correctional services, and delivery of support for those who have claimed asylum in the UK. Work will also be undertaken to increase VfM in other areas of Home Affairs expenditure.

## Policing

**2** The 43 local police authorities in England and Wales are responsible for working, with their local police forces and the Home Office, to take forward delivery of VfM gains, which are equivalent to gains of at least 3% per annum.

**3** Working through a tripartite national body (the *Police Efficiency Strategy Implementation Group* (PESIG), comprising the Association of Police Authorities, the Association of Chief Police Officers, the Home Office and other stakeholders), VfM planning is concentrating on three key areas of:

- Increasing front line policing;
- Increasing VfM in procurement; and
- Increasing VfM in providing corporate support services.

**4** Increasing front line policing will build on existing tripartite work that developed measures for front line policing and activity-based costing for the police. Consideration is likely to include identifying further scope to release police officers to undertake increased front line duties, continuing to bear down successfully on levels of sickness absence, and other activities to ensure that the most cost-effective use is made of valuable police officer resources.

**5** Led by the APA and ACPO, the police service is developing a national approach to identifying and realising VfM gains in procurement. This includes ACPO establishing a centre of police procurement excellence and the Service developing strong links with the Regional Centres of Excellence and other improvements being led elsewhere in the local government community.

**6** PESIG will take forward work to improve VfM in providing corporate services to police forces. The approach is likely to include identifying opportunities for greater collaboration between forces, and with local government and other public services at local and regional levels.

## Asylum Support

**7** The Home Office will reduce the total cost of asylum support by £450m by 2007-08, although only a proportion of asylum support activity falls to local government. The approach will include ensuring that appropriate levels of support are provided, reflecting claimants' entitlement, and that this support is provided as cost-effectively as possible.

**8** The Home Office will work with its partners in local government and other Government departments to pursue the most effective approaches to delivering these gains. This will include helping local authorities to identify gains that can be scored towards their own efficiency targets.

## Contact Point

**7** The current key contact for this workstream is:  
Robert Arnott, robert.arnott@homeoffice.gsi.gov.uk  
Resources and Planning Unit

# Fire and Rescue Service

**1** The Government is committed to improved efficiency and effectiveness within the Fire and Rescue Service as part of its extensive modernisation programme. This is underlined its new Public Service Agreement (PSA) target which commits Fire and Rescue Authorities (FRAs) to achieving long-term reductions in fire deaths and deliberate fires.

**2** In addition a detailed account of the Government's expectations for authorities is set out in the 2004/5 Fire and Rescue National Framework, published in July 2004. The 2005/06 Framework will be published in autumn 2004 in time for FRAs' budgeting processes.

## Key Actions To Increase Efficiency

**3 Integrated Risk Management Plans (IRMPs)**, which replaced national standards from April 2003. The Government believes that there is scope to improve the efficiency of Fire and Rescue Authorities in responding to incidents while maintaining the highest standards. FRAs should therefore make efficient and effective use of resources to implement their Plans, including using more efficient working practices where appropriate, including greater shared use of resources. For example using retained (on-call) staff, rather than full-timers, to crew some appliances; introducing new shift patterns under which fewer firefighters are working in times and areas of lower risk; or scrapping rarely used equipment and relying more on mutual assistance arrangements with other Brigades.

**4** Replacement of the existing costly and inefficient pattern of 46 local control rooms with a network of **9 Regional Control Centres** providing enhanced resilience but also requiring fewer staff for control duties is a key element of the national resilience programme.

**5** The investment of £25m over four years to establish a programme of Home Fire Risk Checks (HFRCs) targeted on the most vulnerable households and combined with the installation of free 10-year battery smoke alarms and automated fire suppression systems. The HFRC grant will support fire and rescue authorities in carrying out their new duty to promote fire safety under the Fire and Rescue Act 2004, in accordance with the guidance on community fire safety set out in the National Framework. It will in particular support work towards the fire PSA target.

**6 Firelink** is a project to provide a national radio system designed to deliver interoperability both within the Fire and Rescue Services and with the other emergency services. This will play an important part in assuring the delivery of operational priorities, particularly in relation to wider civil emergencies. The efficiency savings represent the reduction in expenditure necessary to safeguard existing radio systems that have been identified as in need of immediate support before they can be replaced by Firelink.

**7** The introduction by **Regional Management Boards** of wider regional functions, including resilience arrangements; common and specialist services; personnel and human resource functions; training; and procurement. All of which should enable greater efficiencies in the provision of services and use of resources

**8 Regional Fire and Rescue Authorities (RFRAs)** in areas which vote in a referendum to establish an Elected Regional Assembly (ERA) should enable greater efficiencies in the provision of services and use of resources in those areas.

**9 Reduction of costly sickness absence and ill health retirements** in line with Government targets, through the introduction and administration of effective absence management processes and procedures.

**10** A total amount of £190 million **PFI credits** have been allocated to Fire and Rescue Authorities over the SR 2004 period. These are available to support the capital funding of innovative modernisation projects.

## **Contact Point**

**11** The current key contact for this workstream is:

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# Environmental Services

## Introduction

**1** Local authorities have a crucial role to play in meeting the challenge of delivering more environmentally sustainable waste management practices. To be successful in managing rising volumes of household waste and to reduce the volume of waste sent to landfill and meet our legally binding EU targets, it is vital that value for money is achieved from existing sources of funding and costs are contained or reduced through investment and effective management.

**2** Defra is committed to helping local authorities to deliver efficiency gains on waste and street cleansing services mainly by more effective joint working, promoting best practice, and standardisation of procurement operations. Actual delivery of efficiency gains rests with local authorities, but Defra is putting in place a programme of actions to support and encourage authorities to continue their efforts to improve performance.

## Scope for Realising Efficiency Gains

**3** We recognise that the scope for delivering significant efficiency gains must be viewed against the rising costs of waste management and street cleansing, continued growth in municipal waste and rising unit costs as local authorities move away from landfill. Our implementation plan for environmental services focuses on a programme of activities (many of which are already underway) to help local authorities make best use of available waste management resources.

**4** We are looking to assist local authority choice of best value options (with a range of new technology approaches available for selection), a planning system that delivers new facilities when required, and effective delivery of immediate work to encourage and communicate best procurement practice and stimulate industry to offer a wider, better designed range of facilities without involving excessive costs. Scope for delivering significant, long-term efficiencies also lies in encouraging greater joint working between local authorities to deliver waste management and decision making at an optimal level of collaboration and aggregation.

## Delivery

**5** Much of this assistance will be provided through Defra's existing Waste Implementation Programme, which aims to deliver targeted support to local authorities to help support a shift towards improved waste management services. Defra will also seek to promote efficiencies through new initiatives and joint working with ODPM, the Local Government Association, the private sector and key innovation agencies such as the IDeA and the 4Ps. We have worked closely with these organisations over the last few months.

## Operational and Procurement Efficiencies

**6** Although plenty of examples of good practice exist, work carried out by the Strategy Unit has drawn attention to problems caused by insufficient expertise in negotiating and producing effective contracts. Capacity is also an issue for a number of local authorities, and there is heavy reliance on expensive consultancy to support procurement activities. We want to facilitate improvement in these areas, by providing good advice on contract design and negotiation, and disseminating standard approaches and best practice guidance. With this in mind, an online waste PPP/PFI procurement toolkit has been recently launched and a separate toolkit on standardisation of PFI contracts in waste has also just been published.

## **New Supply**

**7** Industry needs to provide an appropriate range of facilities to handle waste in line with government policy and regulatory requirements and identify and pursue opportunities for developing new technology approaches. We need to take action to stimulate the waste industry to develop greater capacity and to provide an appropriate range of wastehandling facilities without involving excessive costs. This could be achieved through continued support for local authorities in relation to waste PFI credits for investment in value for money waste disposal facilities. Other approaches will include encouraging active and early engagement between local authorities and suppliers, help with promoting new waste technologies, improving data for investment and planning purposes and developing stable end-markets.

## **Joint Working**

**8** Increased joint working between local authorities at the strategic and operational level would help to increase efficiency and realise economies of scale. Our goal is to promote these kinds of approaches, including joint procurement where this has local backing. To help deliver these improvements, we will provide targeted consultancy support, new guidance on preparing municipal waste management strategies and support for innovative models such as virtual waste authorities. We also want to work closely with ODPM to facilitate and encourage more effective joint working between local authorities (including different tiers of authorities) and with industry and others.

## **The Planning System**

**9** Significant delays in securing planning permission (including those due to public opposition) lead to consequent delays in the procurement process for waste facilities. This drives up the cost of contracts (through higher risk premiums), including the cost of procurement itself. Our goal is to ensure an efficient planning system that can deliver the new facilities required. We are working with ODPM on revised planning policy guidance, and must see increased public awareness of the need to reduce waste (delivered through local and national awareness campaigns and pilots of household incentive schemes). This type of work is needed to help local authorities in securing efficient and effective waste management solutions.

## **Street Cleansing**

**10** Finally, research we have commissioned from ENCAMS shows that significant efficiency gains can be achieved by improving local authorities' skills and capacity to deliver increased productivity, through improved operational efficiencies, more effective street cleansing strategies and improved understanding of customer bases, encouraging and communicating best practice to improve corporate management, forward planning and technical/operational processes in relation to street cleansing services.

## **Contact Point**

**11** The current contact point for this work-stream is:

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## **EFFICIENCY TECHNICAL NOTE (ETN) FOR LOCAL GOVERNMENT**

### **1 INTRODUCTION**

#### **Efficiency gains for local government**

1.1 Efficiency Technical Notes (ETNs) are designed to set out the approach to measuring the efficiencies that count towards the efficiency gain targets set out in Spending Review 2004.

1.2 The local government target is to achieve, relative to 2004/5 baseline, total annual efficiency gains in local government of at least £6.45bn by 2007/8<sup>1</sup>. It is a further requirement that at least half of this is cashable.

1.3 The following areas of local services contribute towards this target:

**Table 1 Efficiencies contributing towards local government target**

<b>Sector</b>	<b>Where also reported</b>
Cross-cutting efficiency gains from corporate services, procurement, productive time and transactions	Only reported against the local government efficiency target
Adult social care	Department of Health efficiency target
Children's services	DfES efficiency target
Culture and sport	DCMS efficiency target
Fire	ODPM efficiency target
Local roads and transportation	Department for Transport (DfT) efficiency target
Police	Home Office value for money target
Schools and LEAs	DfES efficiency target
LA social housing <sup>2</sup>	Only reported against the local government efficiency target
Supporting people	ODPM efficiency target
Waste management	DEFRA efficiency target

1.4 All the above are covered by this Note except for the following:

- police efficiency (see Home Office VFM Technical Note);
- schools efficiency (see DfES ETN); and
- Transport for London (see DfT ETN).

1.5 Individual Departments ETNs also provide further details of specific efficiency proposals. Further information on the process for assessing efficiency gains in social housing is contained in the ODPM ETN.

<sup>1</sup> This calculation is assessed against a baseline expenditure in 2004-05 of £85.6bn which covers local government spend through Formula Spending Shares, specific grants, police grant and net capital spend, minus transfer payments.

<sup>2</sup> Efficiency gains achieved by Registered Social Landlords are reported against the ODPM efficiency target.

## **Consultation and implications for status of this Note**

1.6 There is a need for consultation to ensure that the mechanisms put in place are robust, can be effectively embedded into local authorities delivery programmes, and enhance local accountability.

1.7 ODPM has consulted a wide range of organisations and individuals on appropriate efficiency indicators and categories. This consultation includes Government departments overseeing local government services, selected local authority experts, the Audit Commission, CIPFA (Chartered Institute of Public Finance and Accountancy), the Employers Organisation (EO), the Improvement and Development Agency (IDeA) and the Local Government Association (LGA).

1.8 Following these discussions, two alternative potential approaches have been derived. These are referred to as the Self Assessment Approach and the Framework Approach and are explained in section 4. ODPM has commissioned INLOGOV of the University of Birmingham to conduct a pilot study of a representative group of some 60 councils to review these. This pilot study will conclude by early December 2004.

1.9 This ETN sets out those two potential approaches. A second version setting out the adopted approach will be published on the ODPM website by the end of 2004.

## **Coverage of the Note**

1.10 In the remainder of this Note:

- Section 2 sets out principles of design for the approach to measurement;
- Section 3 outlines reporting arrangements;
- Section 4 details the two potential approaches to measuring efficiency gains;
- Section 5 sets out additional technical details in measuring efficiency gains;
- Section 6 provides details of the mechanism for reporting efficiencies;
- Section 7 summarises timescales for future actions;
- Annex 1 gives basic details on Gershon workstreams;
- Annex 2 provides details of the Self-Assessment approach; and
- Annex 3 sets out further information on the Framework Assessment approach.

## 2 ASSESSING EFFICIENCY GAINS IN LOCAL GOVERNMENT

2.1 Each council has a target to achieve annual efficiency gains of 2.5% of their 2004/5 baseline, of which at least half should be cashable. It should be noted that:

- at this stage, subject to further consultation with local authorities, it is envisaged that the 2004/5 baseline expenditure figure be based on budget rather than out-turn, in line with the methodology for the overall baseline expenditure of local government;
- transfer payments, such as gross expenditure on rent allowances or rebates, are not included in the baseline;
- efficiencies accruing from and relating to the delegated schools budget and police service expenditure are the subject of separate DfES and Home Office methodologies.

2.2 The sum of efficiencies achieved by councils, plus those from police, schools and Transport for London (TfL) equals the total for local services, to be counted against the £6.45 billion local government target. As police, schools and TfL are covered elsewhere, this Note concentrates on efficiency gains to be achieved by, and reported by, local authorities.

2.3 Efficiency gains are achieved in the following ways:

- reduced inputs (money, people, assets, etc) for same outputs;
- reduced prices (procurement, labour costs, etc) for same outputs;
- additional outputs or improved quality (extra service, productivity, etc) for same inputs; and
- improved ratios of cost / output (unit costs, etc).

2.4 Key principles for the measurement framework are that:

- each council is able to identify and quantify the efficiency gains that have been attained in its sphere of operations;
- the system is flexible in terms of the activities that can be counted;
- the approach is robust, simple and streamlined;
- it is helpful in terms of promoting good practice in driving improvement; and
- any additional burdens on local authorities are limited as far as possible.

2.5 The Gershon Review highlighted four workstreams where significant efficiency gains could be obtained in local government - procurement, corporate services, productive time and transactions (see Annex 1 for details of the activities they cover). Accordingly, the measurement approach proposed for consultation includes, but is not restricted to, these areas.

### **3 REPORTING EFFICIENCY GAINS**

3.1 Two issues are covered in this Section:

- the primary source of information on efficiency gains by each council – an Annual Efficiency Statement; and
- the links between that Statement and the existing reporting framework.

#### **Annual Efficiency Statement**

3.2 The primary source of information on efficiency gains by each council will be an Annual Efficiency Statement (AES). It will be signed by the Leader of the Council and Chief Executive, and comprise two parts.

3.3 Subject to consultation, the forward-looking part of the Statement will be required from April 2005. This option is proposed in order to ensure that planning for efficiency is a key consideration for Councils in setting their budgets. The alternative under consideration is to provide this material in June of each year (combining with the backward-looking part of the Statement to form an integrated document).

3.4 The forward-looking part of the Statement will be a very brief (one or two pages) outline of the strategy for securing efficiency gains, the key actions that will be taken during the next year, and the efficiency gains that are expected to result from them.

3.5 Again subject to consultation, the backward-looking part of the Statement will be required from June 2006. This month is proposed to fit with the work undertaken to deliver the Audit Commission's Use of Resources judgements. It will set out the cashable and non-cashable efficiency gains achieved in the past financial year by service sector and cross-cutting area.

3.6 Details of proposals for the methodology underpinning the information contained in the backward-looking part of the Statement are set out in Section 4.

#### **Integrating with other reporting arrangements**

3.7 Our proposal, subject to confirmation and consultation, is that the Audit Commission includes an assessment of the Annual Efficiency Statement in the "Use of Resources" section for the Comprehensive Performance Assessment (CPA). The process for this assessment would be incorporated into the annual external audit. As a consequence, results on the assessment would be provided by the Audit Commission to the council and ODPM by mid-December following receipt of the Statement.

## **4 APPROACHES TO THE ANNUAL EFFICIENCY STATEMENT**

4.1 Two different approaches to this issue have been developed. These are out to consultation with a group of 60 councils, chosen statistically to be a representative sample of English authorities, in a programme that is being run by INLOGOV of the University of Birmingham.

4.2 The two approaches being piloted, of which initial feedback (including the Audit Commission) has generally favoured the former, are Self-assessment and Framework assessment. These are discussed below. Further guidance on technical issues that apply whichever approach is adopted is set out in Section 5.

### **Approach 1 Self-assessment**

4.3 This approach entails councils self-assessing the efficiency gains that they have made into various specified categories, with the results then subject to review by the Audit Commission.

4.4 The basic principles are that:

- in setting their annual budget as part of their medium term financial planning process, councils identify actions to improve efficiency and quantify the estimated expected gains;
- following the end of the financial year, councils identify the £ impact of actions taken by service sector category and for cross-cutting areas for that year relative to the previous year, making the distinction between cashable and non-cashable efficiency gains;
- claimed efficiency gains for a given service sector are only valid if service quality in that category is maintained. This question of ensuring quality is not a straightforward one and is subject to consultation. Potential sources of data for
- judgement are a suitable statutory indicator or set of statutory indicators, or service inspection (where available), or the Audit Commission's annual service assessments for CPA in single tier and county councils. Whilst none of these are perfect measures of quality, any of them, or any combination of them, may be used by ODPM as indicators of quality for the purposes of this exercise;
- councils' reports of efficiency gains would be subject to review by the Audit Commission - assessing whether the evaluation process was adequate, and whether there was supportable basis for reported efficiencies. An adequate audit trail with evidence to support the reported efficiency gains and show how they were calculated will be required. The Audit Commission will not produce a judgement on whether service quality has been maintained but will be asked to draw attention to any known changes in service quality.

4.5 ODPM are keen not to penalise councils that have made particular efforts to improve efficiency in 2004/5. Consequently, one issue open to consultation is the possible development of a system to take such efficiencies into account when assessing Councils' performance.

4.6 Prescribed efficiency indicators would play no formal role in this process. Nonetheless, the facilitation of benchmarking information is important to the efficiency agenda. The Audit Commission is developing a financial profiles tool to strengthen the evidence base for the CPA process. This tool is still in development, but the intention is to provide a high level overview of all council costs and performance. This will be done using existing cost information from RO/RA forms and other existing sources, and performance data using a wide range of PIs and other sources as appropriate.

4.7 Annex 2 provides further details of the Self-assessment approach.

### **Approach 2 Framework Assessment**

4.8 Framework assessment would include elements of self-assessment and efficiency gains measured against pre-set indicators to determine the overall improvement in efficiency.

4.9 It would operate as follows:

- councils report efficiencies based on a core group of approximately 20 efficiency indicators relating to service sectors and Gershon cross-cutting workstreams of procurement, corporate services, and productive time;
- these indicators identify the efficiencies achieved either in terms of reducing unit costs (after allowing for inflation) or reducing unrequired volume (for example, offices using less paper);
- in addition, councils self-assess efficiency gains made in areas not covered by the indicators - using the principles outlined in Approach 1. These miscellaneous efficiencies are categorised by service sector and cross-cutting Gershon workstream;
- claimed efficiency gains for a given service sector are only valid if service quality in that category is maintained. This question of ensuring quality is not a straightforward one and is subject to consultation. Potential sources of data for judgement are a suitable statutory indicator or set of statutory indicators, or service inspection (where available), or annual service assessments for CPA single tier and county councils; Whilst none of these are perfect measures of quality, any of them, or any combination of them, may be used by ODPM as indicators of quality for the purposes of this exercise;
- councils' reports of efficiency gains would be subject to review by the Audit Commission - assessing whether the evaluation process was adequate, and whether there was supportable basis for reported efficiencies. An audit trail and evidence would be required as for Approach 1 (Self Assessment)

4.10 The total efficiencies reported by Councils would be the sum of those measured by specific indices plus those from miscellaneous categories.

4.11 Annex 3 provides further details of the approach.

## 5 TECHNICAL DETAILS

### 5.1 Taking inflation into account

The default rate of inflation to be taken into account is the GDP deflator. Current HM Treasury estimates for future years are as follows: 2005/6 2.52%, 2006/7 2.68%, 2007/8 2.70%. Hence, for example, if output for a council in a given service area in 2005/6 is maintained for an expenditure which is the same as in 2004/5, this represents a 2.52% efficiency.

### 5.2 Cashable and non-cashable

Cashable gains represent the potential to release savings in cash for other areas of spending. By contrast, non-cashable efficiencies relate to improved outputs or enhanced service quality for the same expenditure, efficiencies that achieve reductions in fees and charges to the public, and improvements to productive time (unless fewer staff are needed as a result). More specifically, by workstream:

- *Procurement* efficiency gains realised through greater economies of scale or lower prices are cashable. This includes instances where prices have been negotiated to below the level of inflation. Where higher quality goods and services are procured for the same prices (after allowing for inflation), gains are non-cashable;
- *Corporate services* will be cashable for those cases of less expenditure for the same outcomes, non-cashable where better outcomes are achieved for the same expenditure;
- *Transactions* follows the same approach as corporate services. In the case where improved output is claimed, it must be clear that the improved output is genuinely beneficial to the end user.
- *Productive time* cashable gains include those where input costs have decreased. Increased input levels (such as through reduced absenteeism) or increased output levels represent non-cashable gains.

### 5.3 What is not acceptable as a measured efficiency gain

Certain types of activity are not acceptable as efficiency gains. These include:

- Re-labelling of activity (e.g. reclassifying inspection as advice);
- Cuts that result in poorer services for the public;
- Transferring costs from one area to another without a net reduction, or
- Increases in fees and charges to the public.

Note that the latter point is not included as an efficiency gain because it represents an increase in income, rather than an improvement in the internal processes of service delivery.

#### *5.4 Productivity improvements in the form of improved service for same expenditure*

Improvements to quality that are achieved with no corresponding increase in costs are gains in efficiency. We will be exploring approaches to assessing the monetary value of such improvements. The Atkinson Review into improved measures of UK government output and productivity may provide one such source of information<sup>3</sup>.

In addition, ODPM will commission research during 2005/6 that will examine scope for, and provide recommendations on, means to provide such quantification.

### **6 MECHANISM FOR REPORTING EFFICIENCY GAINS**

6.1 The Audit Commission have indicated a willingness to take the lead on the collection of efficiency data from councils. For this purpose, they propose to explore using their electronic data gathering system. Summary details of efficiency gains will then be reported to ODPM and other Government Departments.

<sup>3</sup> See [http://www.statistics.gov.uk/about/methodology\\_by\\_theme/atkinson/](http://www.statistics.gov.uk/about/methodology_by_theme/atkinson/)



## 7 TIMESCALE FOR FUTURE ACTIONS

**Table 2 Timescale for future actions on measurement (2004-2006)**

**Timescales for the Annual Efficiency Statement are subject to consultation. See Section 3 for further details.**

	<b>Action</b>
December 2004	Guidance on measurement will be published.
April (or June) 2005	Local authorities will need to submit the forward-looking part of the AES, looking ahead to the year 2005/06.
April (or June) 2006	Local authorities will need to submit the forward-looking part of the AES, looking ahead to the year 2006/07.
end of June 2006	Local authorities will need to submit the backward-looking part of the 2005/6 AES, looking backward to report efficiency gains achieved in that year.
mid-Dec 2006	The Audit Commission to complete and report its assessment of Councils efficiency performance in 2005/6

## **ANNEX 1 GERSHON WORKSTREAM COVERAGE**

The following sets out basic definitions of the Gershon workstreams in corporate services, procurement, productive time and transactions.

### *Corporate Services*

Corporate Services (back office) includes, but is not limited to, Finance, HR (in respect of training; only the function, not the spend), ICT, Procurement (the function, not the spend), Legal Services, Facilities Management, Travel Services, Security Services and Marketing & Communications.

### *Procurement*

Procured goods and services include commodity goods and services - utilities, commodity IT, equipment & supplies, telecoms, vehicles etc - as well as professional services, temporary labour and construction. It also includes sector specific markets for areas such as roads, social housing, social care, environmental services and police.

### *Productive time*

The focus for this workstream is on increasing the productivity of front line staff, for example teachers, police officers, consultants, GPs, nurses and those who support them.

### *Transactions*

The transactions workstream applies to those efficiencies that can be gained through such means as combining activities to produce more efficient ways of dealing with customers or streamlining processes, or making a major shift from manual to electronic processing.

## ANNEX 2 SELF-ASSESSMENT APPROACH

Further refinement and development is required, but the following sets out an indication of the type of template that Councils would be expected to complete:

**Table 3 Illustrative example of self-assessment approach**

2005/6		Nature of saving	Cashable	Noncash	Total
Education (excl. schools)		...			
Children's Services		...			
Environmental Services		...			
Local Transport		...			
Culture and Sports					
Social Housing		...			
Fire		...			
Cross-cutting procurement	1	e-auction to reduce stationary costs	£80,000	£0	£80,000
	2	mobile technology used to reduce time spent travelling to meetings		£120,000	£120,000
	...				
...					
<b>Total</b>					

The supporting narrative to the Statement should briefly explain:

- the nature of the saving;
- how it was achieved; and
- duration of the saving (whether it was a 'one-off' that will only apply during the year in question, or whether efficiencies are on-going).
- 

The savings should be those for the relevant year as reflected in the audited accounts for that year.

A suitable cross-check on quality has to be satisfied for efficiencies in a given sector to be counted. In the illustration above, if the cross-check on quality for cross-cutting efficiency was the council's CPA use of resources score, the efficiency gains shown above would be counted providing that score was maintained or increased.

## ANNEX 3 FRAMEWORK ASSESSMENT APPROACH

To give councils a clearer picture of the approach, the following initial list of indicators has been developed for use in the consultation process. If this approach was to be adopted, further development would be essential.

**Table 4 Potential efficiency indicators with framework assessment approach**

<b>Sector specific</b>	<b>Type of measure</b>	
Adult Social Services	Efficiency indicator	Unit cost of residential care for older people
	Efficiency indicator	Unit cost of home care for adults and older people
	Self assessed	Other efficiencies in adult social care
Children's services	Quality check	% users very or extremely satisfied with social services
	Efficiency indicator	Avg. weekly expenditure per looked after child in a children's home
	Self assessed	Other efficiencies in children's services
Culture and sport	Quality check	Health of children looked after
	Efficiency indicator	Procurement of library books
	Self assessed	Other efficiencies in culture and sport
Environmental services	Quality check	CPA service block score for culture <sup>4</sup>
	Efficiency indicator	Unit cost of waste management
	Self assessed	Other efficiencies in environmental services
Fire	Quality check	Progress on meeting the requirements of the Environmental Protection Act
	Efficiency indicator	Expenditure per head on fire services
	Quality check	Maintain performance on BVPIs 142, 143 and 206
Local transport	Efficiency indicator	Ratio of supported public transport vehicle km to cost of producing service
	Efficiency indicator	Unit cost of road maintenance
	Self assessed	Other efficiency gains from local transport
	Quality check	CPA transport service block score
Supporting people	Efficiency indicator	Average cost per contact hour
	Quality check	Overall average score in Quality Assessment Framework
<b>Cross-cutting</b>		
Corporate services	Efficiency indicator	Unit cost of HR per employee
	Efficiency indicator	Unit cost of operational ICT per end user
	Efficiency indicator	Cost of finance as proportion of total spend
	Self assessed	Other efficiencies in corporate services
	Quality check	Employee satisfaction
Procurement	Efficiency indicator	Unit cost of basket of 10 commonly purchased goods and services
	Self assessed	Other efficiency gains in cross-cutting procurement
Productive time	Efficiency indicator	Sickness absence
	Self assessed	Other efficiencies in productive time
	Quality check	Employee satisfaction
Transactions	Efficiency indicator	Ratio of expenditure on processing council tax to total liable population
	Efficiency indicator	Unit cost of handling householder planning applications
	Self assessed	Other efficiency gains from transactions
	Quality check	Proportion of council tax collected
Other	Self assessed	All other efficiencies achieved
	Quality check	Overall score on CPA

<sup>4</sup> the availability of this measure is subject to the consultation process currently being conducted by the Audit Commission

The following provides an illustrative example of how this would work.

**Table 5 Illustrative example: Environmental Services in Council Y (2005/6)**

	Spend (£m) 2004/5	% change in unit cost - 2.5% inflation	Unit cost Efficiency (£)	Volume efficiency (£)	Total efficiency (£)
Unit cost of Waste management	£0.3m	-10.0%	£30,000	£0	£30,000
Efficiencies in street cleaning - self assessed	x	x	x	x	£50,000
Waste management - reduced waste for disposal	£1.5m	-	-	£0.2m	£200,000

Efficiency gains of £280,000 are recorded providing the quality cross-check (in this instance, progress on meeting the requirements of the Environmental Protection Act) indicates that service quality is being maintained.