



*Delivering Value for Money in
Local Government: Meeting
the challenge of CSRO7*

Communities and Local Government as an economics department



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Executive summary

Councils have a long track record of enhancing value for money in public services, with excellent progress made in the 2004 Spending Review (SR04) period. During 2004-05 to 2007-08, councils are forecast to make cash-releasing efficiencies of £3.3 billion, comfortably exceeding Gershon requirements.

The challenge is to build on that progress and further embed a culture of innovation and focus on value for money. The 2007 Comprehensive Spending Review (CSR07) takes place in a tight fiscal context. All public services have been set a target of achieving at least 3% net cash-releasing value for money gains per annum over 2008-09 to 2010-11. Councils are expected to achieve £4.9 billion cash-releasing efficiencies by 2010-11. This will be challenging, but can be done, provided local and central government fulfil their roles to maximise the potential of local services.

This Value for Money Plan develops themes from the Local Government White Paper and National Improvement and Efficiency Strategy (NIES) to set out a route map for meeting the efficiency challenge, outlining for councils key means to achieve efficiency and support activities designed to promote them.

Councils work best when given flexibility to determine for themselves how and where to deliver and reinvest efficiency gains. This principle was a cornerstone of the SR04 approach, and that policy remains in place during CSR07, with further reforms put in place to increase devolution: individual councils will no longer have an efficiency target unless agreed as one of the Local Area Agreement (LAA) targets, while achievement will be monitored by a single measure in the National Indicator Set.

Research demonstrates there is considerable potential from effective harnessing of efficiency and innovation techniques such as smart procurement and service redesign. But not all councils have the scale, capacity or commitment to make full use of those approaches.

An enhanced system of support will be delivered through the NIES. At its heart are the Regional Improvement and Efficiency Partnerships (RIEPs), the focal point of support for councils. Governed by the sector, they will develop and lead the implementation of Regional Strategies to be published early next year. Central government also has a role to play, working with the RIEPs and the sector to promote good practice and identify and address key obstacles to continued progress such as skills gaps.

Strong leadership and a focus on users are critical for success. It is essential to learn from the best: understanding external and internal drivers of change; tapping into the expertise of the public, private and third sectors; harnessing skills and capacity for change management; and working effectively with elected members, employees, users, other councils and Local Strategic Partnership (LSP) partners on what is best for the area as a whole.

The scale of the value for money challenge for CSR07 is substantial. Taken together, however, the commitment by the sector to its own improvement, the introduction of the new performance framework, and the actions set out in this Plan form a powerful underpinning by which this challenge can be met.

1 Introduction

- 1.1 Efficiency – achieving more for the same or less resource – is a vital aspect of service delivery. By getting lower prices for products, automating processes, reducing errors, and removing duplication, councils are able to hold down council tax and drive improvement where it matters most.

In this document, “efficiency” is defined as achieving the same outputs for less resource or additional outputs for the same resource. Consequently, an action that fully or partially alleviates a cost pressure is countable as a cash-releasing efficiency, but an action that frees up cash at the expense of the overall effectiveness of service delivery is not an efficiency gain.

- 1.2 Efficiency, improvement and service transformation go hand in hand. Without the ability to continually modernise and become more productive, councils put existing service quality at risk. Sometimes these efficiencies will come from better implementation of tried and tested practices such as strengthening project management or closer scrutiny of expenditure, but innovation must take a more important role as the scale of the challenge increases.
- 1.3 Firm foundations were laid during the SR04 period to support efficiency and innovation in local government. Councils were free to determine how and where to achieve efficiency; regional support mechanisms, measurement and monitoring arrangements were all built in partnership with the sector; and there has been strong cross-departmental co-operation.
- 1.4 Underpinned by these principles of devolution and support, the SR04 efficiency targets have been delivered one year ahead of schedule. Over the period 2004-05 to 2007-08, councils are forecast to achieve £4.2 billion, £3.3 billion of which are cash-releasing¹, compared to a target of £3.0 billion from both cash-releasing and non-cash-releasing efficiencies. These results reflect continued progress by councils in their overall use of resources. In 2005 fewer than half of councils were performing above minimum requirements; in 2006 nearly two-thirds were².
- 1.5 Looking ahead, however, there is a major challenge to be faced during the period covered by CSR07, which takes place in a tight fiscal context. Enhanced efficiency will be essential to maintain and enhance service quality in the years ahead, while staying within the resources to be allocated for the CSR07 period.
- 1.6 Budget 2007 set out a requirement for 3% annual cash-releasing value for money gains from all parts of the public sector over CSR07. Councils have their part to play in meeting this challenge, which amounts to an expectation of £4.9 billion cash-releasing efficiencies³ from revenue and capital expenditure over the period 2008-09 to 2010-11.

1 Efficiency statements submitted by councils, available at: www.communities.gov.uk/localgovernment/efficiencybetter/deliveringefficiency/

2 Audit Commission analysis of Use of Resources scores

3 For a definition of the baseline used to reach this target, see Annex A. It should be noted that the baseline includes capital as well as resource expenditure, but excludes expenditure on fire and rescue, police and schools.

- 1.7 Efficiencies on this scale represent a step-change in performance; but our analysis based on research and consultation⁴ over the past two years shows that this improvement can be achieved:
- There has been strong progress on tools to promote effective procurement;
 - All council services are e-enabled, a prerequisite for service transformation;
 - Business process re-engineering offers much scope;
 - There is recognised potential for additional take-up in shared services; and
 - Support programmes are in place to help councils deliver gains from more complex projects and service transformation.
- 1.8 Chapter 7 of the Local Government White Paper sets out key themes to drive forward efficiency and innovation through service transformation: business process improvement to redesign service delivery around customer needs; collaboration; smart procurement and use of competition; better use of technology; and asset management. Evaluation of the potential offered by these approaches is included in Chapter 3 and Annex B.
- 1.9 To be fully implemented, these direct drivers of efficiency need backing up with skills (especially in terms of change management and benefits realisation), strong leadership, and a focus on users. Details of actions to promote these facilitators of efficiency are also set out in Chapter 3.
- 1.10 It is through the focus on users that the agenda for Service Transformation and efficiency are most closely aligned. Actions to achieve a better customer experience by ensuring their problems are resolved as smoothly and quickly as possible are actions that also achieve efficiency by reducing the extent of failure in the system.

Service Transformation

The Government recognises the need to promote service transformation across public services. For this reason, it has published a Service Transformation Agreement (STA) which underpins the delivery of all public service agreements. Local government will play a vital role in delivering this agenda, and the Local Government Delivery Council, which brings together representatives from local and central government, has the task of overseeing work to “support local government in working with central government to deliver services which are better for citizens, better for staff and better for the taxpayer”.

- 1.11 A cornerstone of the approach to efficiency is that councils are free to make the decisions on where and how to achieve efficiency gains which are right for their local circumstances.

⁴ This guidance draws on expertise from sources within and outside local and central government including attendees at the Local Services Review efficiency seminar and CSR07 efficiency roundtables; work commissioned from the Regional Centres of Excellence; and consultancy studies on scope for efficiency.

1.12 That principle remains the policy for the CSR07 period. Councils retain this devolution, underpinned by processes of accountability, challenge and support that have been reshaped to be embedded within the new performance framework and NIES. Details of these processes are set out in Chapter 4.

1.13 Some local authorities may face difficulties implementing change to the scale required. There will be organisations working to help councils meet these difficulties, but to succeed authorities themselves will need:

- Strong leadership that can drive the culture of focusing on service users within and beyond their organisation;
- To understand the external and internal drivers of change and then harness the necessary skills and capacity to realise the opportunities and benefits;
- A willingness to learn from the best and an ability to tap into the expertise of the public, private and third sectors; and
- To work effectively with their members, employees, users, other councils and LSP partners on what is best for the area as a whole.

2 Framework for value for money

- 2.1 This chapter sets out the framework through which councils' progress on efficiency will be monitored and challenged during CSR07 within the principles of the new performance framework⁵. Details of the support arrangements for councils, which are embedded in the NIES, are set out in Chapter 4.

Reporting arrangements will continue unchanged for the submission of the 2007-08 Backward Look efficiency statement, due from councils in July 2008. The new arrangements described below – which mean the rescinding of the Annual Efficiency Statement – will commence after that July 2008 return.

Monitoring Performance

- 2.2 The new performance framework is driven by the desire to focus on the issues that really matter nationally and locally, to allow councils to determine how they achieve the desired outcomes, and to minimise the amount of information that authorities are required to report to central government. The arrangements for monitoring efficiency in CSR07 have been designed accordingly.
- 2.3 The only information that all councils will be required to report to central government about their efficiency performance is the following indicator (one of two hundred in the National Indicator Set):

The total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 Financial Year.

- 2.4 The value of this indicator is akin to the figure currently reported in the Annual Efficiency Statement (AES) for total cumulative cash-releasing efficiency gains. More details about this indicator are set out in the next section.
- 2.5 It is important to collect this information to assess the national and regional picture of performance, depicting the extent to which efficiency has been achieved, thereby avoiding cuts in services or unacceptable increases in local taxation. However, the rest of the reporting requirements in place in SR04 have been dropped. Thus, this indicator will not be broken down by service sector and there will be no accompanying text to describe actions taken or information on service quality.
- 2.6 This does not mean that these things are unimportant – far from it. Instead, recognising that councils are in the lead for identifying the opportunities for efficiency gains in their own organisation, it will be up to them to put in place the processes that they need to plan value for money projects, track delivery, measure achievement and assure service quality.

⁵ Described in full in Chapter 6 of the Local Government White Paper, available at: www.communities.gov.uk/publications/localgovernment/strongprosperous

- 2.7 Annex C sets out good practice which councils can draw on when reviewing their processes and RSe Consulting has been commissioned by the Department and RIEPs to develop a simple spreadsheet tool that councils can use to assist in their efficiency monitoring.
- 2.8 The approach we have taken also means that there will not be a mandatory efficiency target for each individual council. While there is a target for 3% per annum cash-releasing value for money gains for the sector overall, progress against which will be judged by the sum of gains reported through the national indicator, it will not be cascaded down to every council.
- 2.9 However, it will be possible for an efficiency target to be negotiated as one of the 35 targets in each LAA, should efficiency be identified and agreed as a priority area. Such a target could cover other partners in the LAA as well as councils if that was considered appropriate locally.
- 2.10 This approach offers greater flexibility than the arrangements in SR04. While councils, unless there is an LAA target, will not be required to achieve a specific level of value for money gains, where the indicator shows that little progress is being reported, that would be a trigger for further investigation by the local Government Office to understand the reasons (for information on challenge to councils see paragraphs 2.17 to 2.23).

Value for Money Indicator

- 2.11 The key elements of the value for money indicator are its focus on:
- Net gains – efficiencies should be reported net of investment and ongoing costs required for their implementation;
 - Ongoing gains – if an efficiency is not sustained in full or in part, then the value of the indicator must be reduced accordingly;
 - Cash-releasing gains – only those efficiencies that reduce the level of resource required to achieve the same or better outputs, allowing resources to be redeployed, should be recorded; and
 - Gains since the start of 2008-09 – valid gains may be the result of actions taken before April 2008, but only where they impact on a council's expenditure for the first time after 31 March 2008.⁶
- 2.12 As in SR04, a value for money gain will be valued by comparing performance with that in the previous (or baseline) year, in particular how much resource has been freed up while maintaining the overall effectiveness of service delivery. This principle, and others determining what can be counted as an eligible gain and their evaluation, will continue to be set out in the measurement guidance⁷. The guidance will continue to be developed in partnership with the sector, with revisions being published as necessary during the period.

⁶ Councils may also include the value of any ongoing cash-releasing gains achieved in SR04 in excess of their 7.5% target, see paragraph 2.15.

⁷ Available at: www.rce.gov.uk/rce/aio/26849

- 2.13 Councils will be required to submit a figure for the value for money indicator twice in each calendar year. On the first occasion, starting from October 2008, councils will report their *forecast* for the position at the end of the financial year. This is akin to the output of the Forward Look AES, though looking at the whole period since March 2008 rather than only the particular year in question, and will help bodies working with councils to identify any emerging issues early.
- 2.14 On the second occasion, starting from July 2009, councils will report the actual position as at the end of the financial year that ended on the previous 31st March. This is akin to the output of the Backward Look AES.
- 2.15 To recognise the success of councils in making gains to date, the value of any cash-releasing efficiencies reported by councils in the SR04 period that are over and above 7.5% of their 2004-05 baseline expenditure will be counted towards the CSR07 target insofar as they remain ongoing. Councils should include the appropriate value as part of the reported level of their value for money indicator.
- 2.16 The table below summarises how the new arrangements described in the sections above compare with those in place during SR04:

SR04 Arrangements	CSR07 Arrangements
Targets	
Collectively, councils expected to achieve 2.5% per annum efficiency gains; at least half must be cash-releasing ⁸ gains	Collectively, councils expected to achieve 3% per annum cash-releasing efficiency gains
Collectively, by the end of 2007-08, councils expected to achieve 7.5% efficiency gains, equivalent to £3.0bn; at least half must be cash-releasing	Collectively, by the end of 2010-11, councils expected to achieve 9.3% cash-releasing efficiency gains, equivalent to £4.9bn
Non-cash-releasing ⁹ gains count towards the total efficiency target	Non-cash-releasing gains remain an important way of improving value for money, but do not count towards the total efficiency target
Ongoing efficiencies achieved during 2004-05 count towards the total efficiency target	Ongoing cash-releasing gains achieved in SR04 in excess of 7.5% of a council's 2004-05 baseline count towards the total efficiency target
Each council has the same 2.5% per annum efficiency target, of which at least half must be cash-releasing	Unless agreed as part of a LAA, councils do not have their own individual targets for efficiency gains

8 Cash-releasing efficiencies represent cash resource that is freed up for use elsewhere within the council's operations, to withstand unavoidable cost pressures or to hold down council tax

9 Non-cash-releasing efficiencies represent an improvement in productivity; improved outputs are achieved but no cash resources are released for reallocation

SR04 Arrangements	CSR07 Arrangements
Reporting process	
Councils report on efficiency through the AES process three times for each financial year ¹⁰	Councils report on efficiency through a single indicator in the National Indicator Set twice for each financial year (forecast in October and actuals in July)
In each AES, councils report the value of efficiency gains (forecast or achieved) split by service sector and crosscutting workstream rows, and identifying which are cash-releasing or expected to be ongoing	Councils report only the value of total cash-releasing efficiency gains (forecast or achieved) with no split required
In each AES, councils report the actions to achieve efficiency gains (planned or taken) split by service sector and crosscutting workstream rows, together with a crosscheck to assure service quality	Councils plan and monitor the benefits realisation from their efficiency and improvement projects internally; no reporting on actions (planned or taken) is required

Challenge for Councils

- 2.17 Although the reporting arrangements for efficiency will be greatly reduced, the importance of in-house efficiency measures should still be recognised; good information and focused scrutiny is a prerequisite to achieving effective value for money. Annex C sets out a voluntary checklist for good practice on embedding efficiency into corporate processes, based on discussions with councils, CIPFA and the Audit Commission.
- 2.18 External review is a valuable mechanism for challenge and assurance on delivery outcomes and efficiency. The Comprehensive Area Assessment (CAA) will be introduced from April 2009. It will replace the Comprehensive Performance Assessment, Joint Area Reviews, Annual Performance Assessments, social care ratings and most rolling programmes of assessment¹¹. CAA will have four key elements, including:
- An area risk assessment carried out jointly by local service inspectorates;
 - Publication of performance against the national indicator set;
 - A scored Direction of Travel judgement for each local authority and other public bodies – that identifies the rate of improvement and the likelihood that this improvement will continue; and

¹⁰ A Forward Look AES (covering the council's strategy and forecast gains), a Mid-Year Update AES (covering progress made in the first six months; it was voluntary for some councils), and a Backward Look AES (covering the gains achieved and evidence on the maintenance of service quality)

¹¹ The inspectorates will be consulting jointly on how CAA will work in practice later in autumn 2007

- A scored Use of Resources judgement – that reviews organisational effectiveness and how well resources are used to support priorities and service improvements, including the arrangements for achieving and improving value for money.

2.19 Challenge can also be provided on a voluntary basis, as councils seek insights into ways to improve. For example, the Improvement and Development Agency (IDeA) runs an extensive peer review scheme for councils, and the Museums, Libraries and Archives council implements targeted peer reviews of library authorities, focusing on core services, sharing learning between authorities, and creating conditions for improvement.

2.20 Should there be evidence of potential underperformance by individual councils – perhaps through low figures reported for the efficiency indicator or poor Use of Resources scores – then these will be discussed with councils by the local Government Office so that the reasons for these can be understood. For instance, low figures reported for the efficiency indicator may be due to the council taking actions that lead to long-term gains instead of ‘quick wins’, rather than a failure to prioritise value for money.

2.21 Where actual underperformance is identified, then the options for improvement support and intervention set out by the Government are available for use¹². Any action that is taken will be tailored to the nature and severity of the specific problem, focused on sector-owned and driven activity.

2.22 In cases where underperformance is not addressed quickly and effectively at a local level, Government Offices will work closely with government departments, inspectorates and other bodies to agree appropriate action. This may include further capacity building support, or tougher intervention action, ranging from improvement notices to directive action or removal of functions from an authority in very exceptional cases.

2.23 The Government is focusing on the development of tools to support the sector in addressing poor performance. However, where this approach does not prove effective, the full range of actions outlined in the Local Government White Paper remain available to ensure progress on efficiency continues.

Managing risk

2.24 As well as the challenge functions outlined above, a full range of governance arrangements (see Annex F) are in place to identify key risks to the programme and ways to overcome them. Our initial assessment of the main risks is set out in Annex G. It is based on consultation through the Cross Departmental Review Group, which contains representation from the local government sector as well as central government officials.

¹² Described in full in Chapter 6 of the Local Government White Paper

3 Actions for greater value for money

Introduction

- 3.1 Delivery of the target for 3% per annum net cash-releasing efficiency gains will necessitate strong and positive action, building on past success and challenging aspects of underperformance.

Sustainable efficiency means ensuring that members, managers and staff (whether engaged in operational service delivery or business support) have continuous improvement in value for money as core to their roles. Increasingly they will require knowledge and skills to utilise routinely the wide range of business improvement tools and customer-need analyses available to support effective decision making.

- 3.2 Many local authorities already have sound foundations in place for effective improvement: an organisational culture that sets a high priority on value for money; access to good customer information and diagnostic tools to identify what needs to be done; and the leadership and skills needed to make it happen. For the efficiency challenge to be met, these strengths must be promoted more widely.

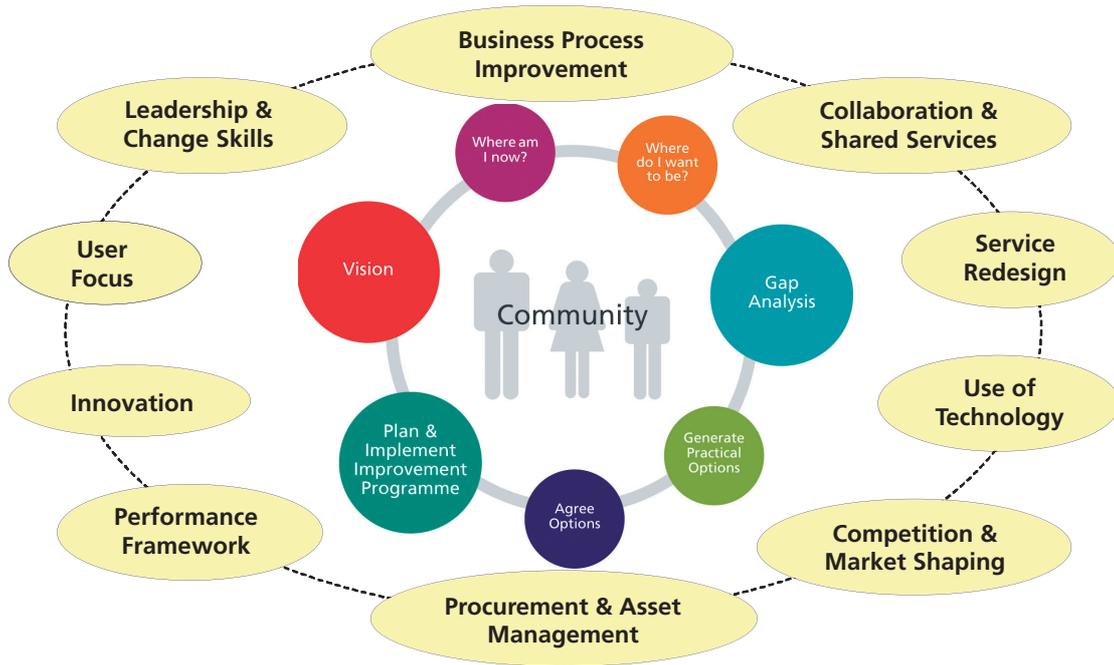
- 3.3 Decisions on efficiency are for councils to take. However other organisations, especially the RIEPs, have an important role to play in supporting for the benefit of the whole sector:

- The effective **facilitators** of efficiency: the tools and techniques for improvement; widespread sharing of emerging best practice, research, customer information and leading-edge exemplars; the effective use of diagnostic tools such as business process improvement; the wider availability of benchmarking data; and understanding of the organisational conditions that are conducive to innovation and cultural change; and
- The **practical options** that deliver tangible gains: partnership working and collaborative ventures; investment in technology; better information sharing; and service redesign.

The Business Improvement Package was published online¹² by the Regional Centres of Excellence and the Department in spring 2007. It is a store of knowledge for change management, providing practical tools for process improvement in service delivery, collaboration on services, and managing the access channels that citizens choose to use. It has been revamped with new contributions on service redesign to coincide with the CSR07 announcement.

12 Available at: www.bip.rcoe.gov.uk

3.4 The diagram below depicts various elements of good practice management, which are then considered in more detail in the remainder of this chapter:



Leadership and Change Skills

- 3.5 Effective leadership creates a culture in which staff at all levels (and not just managers and budget holders) expect to be challenged on their use of resources; look for continuous improvement year after year in the way they do things; and generate ideas about better ways of working.
- 3.6 Often the issue of productivity is considered to be a ‘finance function’ and budgeting is based on spending in the previous year, rather than zero-based. Frequently, there are strong incentives on managers not to overspend (or indeed underspend), but few to spend better. Achieving the potential for improvement that exists requires visionary leadership creating a culture that loathes waste.
- 3.7 The Leadership Centre is pursuing initiatives to raise understanding of the connection between leadership and efficiency, and help deliver cultural change within councils. The Centre plans to work with CIPFA and the RIEPs to explore how these themes can be embedded everywhere.
- 3.8 Lack of skills in project and change management has also been cited frequently as a major barrier to progress on efficiency¹⁴. Such expertise is essential for successful service redesign: taking a fundamental look at what needs to be done, implementing reforms, and realising the benefits.

¹⁴ *Local Government Efficiency* – Literature review and case studies (OPM, 2007)

- 3.9 Various approaches are being used to address this skills gap. For example, the 4ps skills development portfolio has taken a particular focus on project management; the North East Regional Partnership has set up an NVQ course in business improvement; and the North West e-Government Group (NWeGG) has run change, project and programme management working groups which allow people to learn and share experience.
- 3.10 In order for effective change to occur in all councils, however, there also needs to be much greater sharing of existing expertise. Some RIEPs already have interchange schemes in place to facilitate this approach, as well as discussion groups, buddies, short term secondments, and emergency trouble shooters¹⁵, representing a firm foundation for further work.
- 3.11 A further important approach is the joint development of skills among service managers through such routes as shared pilot evaluation, support networks and peer review set up by the Care Services Efficiency Delivery Programme.
- 3.12 These and other projects will be given greater focus by a skills audit for change management¹⁶ whose results and recommendations for change will feed into the objectives of the RIEPs during the CSR07 period.

User focus

- 3.13 The Local Government Bill creates a new duty on local authorities in England to inform, consult and/or involve representatives of local people in the exercise of authority functions as and when appropriate. There is growing evidence that involving citizens in local decision making and services has numerous benefits, felt not only by those who get involved, but also the wider community. Key research includes:
- Mori's work programme looking at the state of citizen satisfaction with councils and the reasons underlying those ratings¹⁷;
 - HM Treasury long term assessments undertaken as preparation for CSR07, focusing on factors including demographic and socio-economic change, a rapid pace of innovation, and volatility in the global climate;¹⁸
 - Cabinet Office are undertaking research to understand the experiences that citizens have when undergoing key life events such as having children or moving house;
 - Continued development by the Regional Partnerships and the Department of the profile of customers making contact with councils through call centres and the internet.¹⁹

15 See, for instance, that in the East of England at: www.eera.gov.uk/category.asp?cat=384

16 Audit currently being conducted by RSe Consulting and due to report in the autumn

17 *Frontiers of Performance in Local Government: Place Shapers or Shaped by Place?* (Ipsos MORI, 2007)

18 *Long-term opportunities and challenges for the UK: analysis for the 2007 Comprehensive Spending Review* (HM Treasury, 2007, www.hm-treasury.gov.uk/media/6/F/csr_longterm271106.pdf)

19 Contained within the Business Improvement Package, available at: www.bip.rcoe.gov.uk

Innovation

3.14 A recent Audit Commission report²⁰ highlights that efficiency is one of the most important drivers of innovation; obtaining continued gains on the scale required means councils will in many cases need to break with established practices. Key steps to support enhanced innovation in local government are being taken by RIEPs, exemplar councils, academia and the Audit Commission:

- RIEPs will act to promote skills for change in councils, stimulate dialogue on innovation between purchasers and suppliers; and make funds available to councils for innovative projects by their councils;
- A workstream of the NIES is considering actions for promoting innovation and excellence, including options to build on the expertise gained from the Beacons scheme;
- The Local Authority Research Council Initiative promotes research partnerships and sharing of best practice between the Research Councils and councils; and
- The Audit Commission is committed to conduct audit and inspection in a way that encourages innovation; and to identify innovative practice as part of its audit and inspection work and proactively share this knowledge with other councils.

Business Process Improvement (BPI)

3.15 BPI is a structured approach to helping organisations diagnose what needs to change (for example working practices, jobs, attitudes, technology, structures, and contracts) to make an operation more efficient and effective. BPI techniques can identify the opportunity for radical change as well as smaller scale 'quick wins'.

3.16 Typical steps in BPI-led initiatives include mapping and costing processes and analysis to identify a range of options for practical improvement. Only when the purpose of a whole process from a user point of view is fully understood can the full (end to end) scope for improvement (for example through the use of ICT) be exploited.

Torridge District Council has redesigned its benefits process to place the customer at its centre. The new approach has halved the number of days taken to process a new claim or a change of circumstances and also produced cash-releasing efficiencies by reducing the amount of paperwork and correspondence with clients. Together this has also resulted in a better working environment for the staff providing the service.

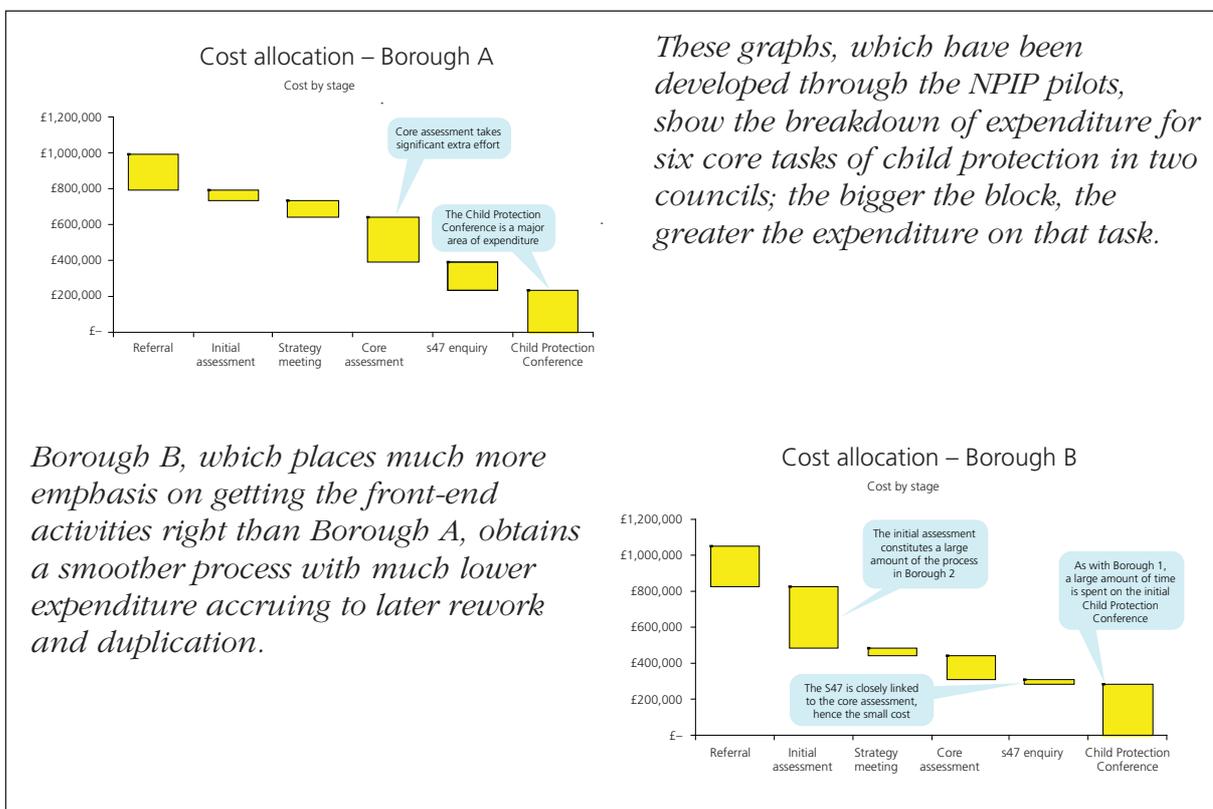
3.17 Central to putting citizen and community need at the heart of effective local services therefore is a commitment in the Local Government White Paper to actively support the pragmatic use of BPI tools and techniques to help councils make effective business cases for investment that will best yield efficiency gains in favour of local citizens and communities.

²⁰ *Innovation: seeing the light* (Audit Commission, 2007)

3.18 The National Process Improvement Project (NPIP) is a project established in 2006 by the Department. Its overall aim was to “road test” BPI costing, analytical and process design methodology (used to support cost-effective business change), in order to:

- Develop and agree what for local government should constitute ‘good practice’ method when costing and designing better service delivery and corporate support processes, and
- Evaluate & quantify the potential for a future return on investment from strengthening capability and capacity for local government to make more use of ‘specialist’ BPI methods.

3.19 To achieve this aim, NPIP commissioned eight pathfinder projects to use BPI “in anger”, and to test approaches to costing current and future processes. A full summary of the NPIP pathfinders including an estimated 15:1 return typically achieved by the pathfinder authorities on the cost of conducting the BPI review are available as part of the Business Improvement Package (BIP).



3.20 These and other studies, plus considerable investment by the RIEPs have shown that by concentrating on value added activities for customers and redesigning services through the use of BPI techniques, good practice BPI analysis can be expected to contribute to efficiencies of some £1.8 billion by 2010-11. These include those likely to stem from enhanced service collaboration and associated use of technology.

Action in the West Midlands to eliminate wasteful processes that do not add value to the delivery of public services is already delivering cost and quality improvements of up to 20%. Authorities have participated in a communities of practice network to share learning experiences while a regional support team facilitates training workshops and support for scoping exercises.

3.21 Further phases of work to support councils wishing to utilise BPI techniques during CSR07 will:

- Ensure the effective dissemination of key findings, lessons learned and useful tools from the NPIP pathfinders and wider sources;
- Promote basic principles for consistent identification costing and analysis of processes. This will provide for a consistent approach to measuring and evaluation of processes, of which a critical part is the assessment of value/non-value of activities to customers, so enabling robust benchmarking to take place; and
- Maintain a Local Government BPI practitioner community. Funding from the efficiency and improvement support programme will be available to the RIEPs to help build mentoring networks, reference groups, and support training for BPI activities such as encompassing incentives for and measurement of “cost shunting” and “benefits altruism” between service delivery partners.

Collaboration between Public Bodies

3.22 Greater collaborative working is a vital step to transforming local services. A literature review and case study analysis by OPM²¹ found that “... cross sector working is a critical lever in the efficiency agenda. It can enable organisations to reduce financial burdens, produce more efficient methods of working, and share costs across cost centres ... The general view is that accruing efficiencies out of partnerships is the next phase of the agenda”²².

The Derbyshire Transformational Partnership was established in 2002 and has delivered several projects as a shared service. These include an e-recruitment system which allows potential job applicants to view jobs and receive e-mail alerts from the partner authorities without the need for multiple registrations. It has helped to reduce the length of time to recruit staff and saved more than £35,000 per annum.

3.23 It is important to distinguish between joining-up on different parts of the delivery chain (for example, the movement of patients from hospital care which comes under the auspices of the NHS to adult social care controlled by the local council), and sharing the same part of the delivery chain via shared services (for example, neighbouring councils using a common IT services provider).

21 *Local Government Efficiency* – Literature review and case studies (OPM, 2007)

22 Case study evidence, RIEP projects and AES data suggest significant scope for gains by 2010-11 in both corporate and environmental services, implying average potential for greater efficiency from collaboration in the sector as a whole of the order of 1% in CSR07 beyond that from service redesign or in-house activity.

Passenger transport provision underlies the efficient operation of much public service delivery and a cross-sector approach brings efficiency benefits. Integrating the procurement of transport for services such as social care, school and public transport results in operational efficiencies and can be extended to embrace non-emergency patient transport. The North West RIEP has produced advice on this area.

- 3.24 Efforts to join up different parts of delivery chains must be considered on a case by case basis and an evidence base that can draw on sector expertise. A key principle is to strengthen the workings of the LAAs and LSPs, looking carefully at the incentives for efficiency in the system as a whole. As part of this process, the Department is examining how best LAA operational guidance can be shaped to promote joined up service delivery.

The Lincolnshire Public Sector Working Group was formed in 2001 to develop the joint delivery of services. Its most recent initiative has been to set up a system of shared ICT support, with skilled employees helping to provide an enhanced service – including out-of-hours support – to the participating organisations. This has motivated staff and minimised the use of agency workers. Altogether, some £254,000 cash-releasing efficiencies per annum are predicted.

- 3.25 Key actions to be undertaken at regional level include:

- Developing, at regional level, the capacity to direct staff or financial resource to councils to develop business cases for change management and transfer change management skills;
- Using the results from NPIP to identify good practice and monitor progress – for example Chorley Council, as part of a wide change agenda, is getting an understanding of two-tier and LSP linkages and other issues including high cost vulnerable families;
- Playing a brokerage role – promoting framework contracts where appropriate, and creating networks of interest on collaboration; and
- Facilitating development of service hubs.

Cambridgeshire and Northamptonshire County Councils are jointly working with Fujitsu to design and implement a shared instance of the Oracle e-business suite – financial, HR, property, procurement and payroll – which will form the basis of a standard local authority shared service. The councils are currently developing a commercial model, offering savings by aggregating scale with potential new future customers.

- 3.26 Such actions will be strengthened by the important initiatives being undertaken through the Service Transformation agenda to promote a more joined-up and effective customer service.

The Service Transformation Agreement

The STA articulates a vision of better services to customers in which their needs are met more accurately and more quickly, with better understanding of who is able to help, and more effective assistance from those that they contact. Progress will be measured according to an indicator in the National Indicator Set through which councils will report the average number of customer contacts required to resolve a request. For councils, the agenda is overseen by the Local Government Delivery Council, with key initiatives promoting:

- *More effective delivery of face-to-face services;*
- *“Tell Us Once” (a project to reduce the number of times that citizens have to contact public services to deal with a change in circumstance such as a new child in the family);*
- *Improving the customer experience of accessing public services; and*
- *Facilitating data sharing and identity management.*

3.27 In addition, the Department will work with councils in the five areas selected to be “Two-tier Pathfinders”²³. This will provide a key platform for potentially testing out the important Service Transformation initiatives highlighted above.

Use of Technology

3.28 As a result of the work of the Local e-Government Programme during SR04, citizens can now access a host of local authority services online, from applying for a school place, to paying a parking fine, to making a planning application. But there is still much scope to make the local e-government infrastructure in place work harder at transforming public services as citizens receive them.

High Peak Borough Council stopped accepting cash or cheque payments at all of its offices in March 2004. Instead local people are encouraged to use telephone and online payment opportunities, while those who wish to pay with cash can still do so at more than 40 local shops and post offices, which are more conveniently located and have longer opening hours than the council offices. Service costs have been reduced by 30%, while arrears of Council Tax have reduced by £250,000.

3.29 The potential of this new infrastructure often remains untapped. For example, research has shown that whilst up to 46% of the adult population would actively consider using local authority e-services, actual usage is around 12%. A shift on this scale could potentially deliver major efficiencies.

3.30 Research on local authority service delivery costs undertaken by NWeGG has established median average transaction costs for face-to-face delivery estimated at £7.81, telephone at £4.00, and web at 17p, when systems are fully integrated. Much could also be done to streamline the way that those communications are handled, for

²³ This covers councils in Buckinghamshire, Dorset, Hertfordshire, Lincolnshire, and Suffolk.

example by integrating call centres. Of course, not all services can be delivered via the web, and an effective channel strategy should recognise how each can be used to obtain the best outcome.

Transformed e-based services

Sir David Varney's recent report²⁴ envisages transformed e-based services. Key recommendations are that the cost of operating public service contact centres be reduced by 25%; entirely avoidable contacts be reduced by 50%; the number of information requests handled by telephone be reduced by 50%; and that 80% of service requests should be dealt with at the first point of contact.

- 3.31 There are, however, significant barriers to be faced. Not all councils have expertise in commissioning and project managing large scale IT projects; nor have they necessarily developed the required skills in integrating phone and internet services with Customer Relationship Management and back office systems. In addition, there is no clear agreement on suitable benchmarking approaches or sustained system of customer insight to establish the lifestyle preferences of citizens for particular channels of communication.

Peterborough City Council recognised the need to overhaul the way it delivered its housing repairs and maintenance service in 2004. The result was a transformation from a paper-based system to a mobile working enabled real time system. PDAs were issued to workers, which communicated with back office systems, enabling 90% of tasks to be completed on their first visit. In recent months this system has been rolled out to other services, including the pest control and dog warden teams.

- 3.32 Key actions to overcome those barriers include:

- Dissemination of benchmarks, peer group comparisons, and good practice through the BIP, incorporating results from the Front Office Shared Services project to highlight exemplars in cross authority and agency front office sharing of customer contact and service delivery²⁵;
- Promotion of tools to assess the unit costs of service delivery (activity based costing) to make the business case for self-service;
- Investment in targeted capacity building and support; training, projects, and implementation support delivered through co-ordinated actions by the RIEPs and national ProductShare knowledge sharing resource²⁶; and
- Continued development of a “profile” of councils’ customer base. This will enable councils to better determine how to establish the web as a primary channel of choice for many services.

24 *Service Transformation: A Better Service for Citizens and Businesses, a Better Deal for the Taxpayer* (Sir David Varney, 2006, www.hm-treasury.gov.uk/pre_budget_report/prebud_pbr06/other_docs/prebud_pbr06_varney.cfm)

25 *Front Office Shared Services – Delivering Public Service Transformation* (IDeA, 2007, www.idea.gov.uk/idk/aio/6414747)

26 Available at: www.productshare.org.uk

Workforce Planning

- 3.33 The Leitch Report²⁷ has strongly promoted the need for action to develop the skills of the whole workforce – not just for leaders and managers – and raising the levels of both employment and employability. Better planning and shaping of the workforce and their skills helps minimise problems that increase costs and adversely impact on service delivery.
- 3.34 Councils and their partners locally can do much to help achieve this vision, utilising the full array of actions set out in the Local Government Pay and Workforce Strategy (which is now being reshaped by IDeA in partnership with the Department).
- 3.35 A lack of skills in key areas can result in poor performance and excessive use of expensive consultants or other temporary staff – in some authorities, agency workers make up 25% of the total workforce²⁸. The London Regional Partnership has produced toolkits²⁹ to help councils take control of their use of consultants and agency staff.
- 3.36 Government departments also have a key role to play. For example, the Department for Children, Schools and Families (DCSF), in co-operation with the Children's Workforce Development Council and Skills for Care, has published advice on developing and implementing an integrated local Children's Services Workforce Strategy³⁰.

Enhanced Competition, Smarter Procurement

- 3.37 Research has shown that when the key principles of competition and market shaping are used effectively as part of a holistic approach to place shaping and commissioning of strategic services, they act as a powerful driver of better performance³¹. There are substantial variations in competition between sectors, as shown below³²; this reflects different characteristics between markets (such as the different contracting cycles), but it also reflects scope for alternative, innovative approaches.

27 *Prosperity for all in the global economy – world class skills* (HMT, 2006, www.hm-treasury.gov.uk/media/6/4/leitch_finalreport051206.pdf)

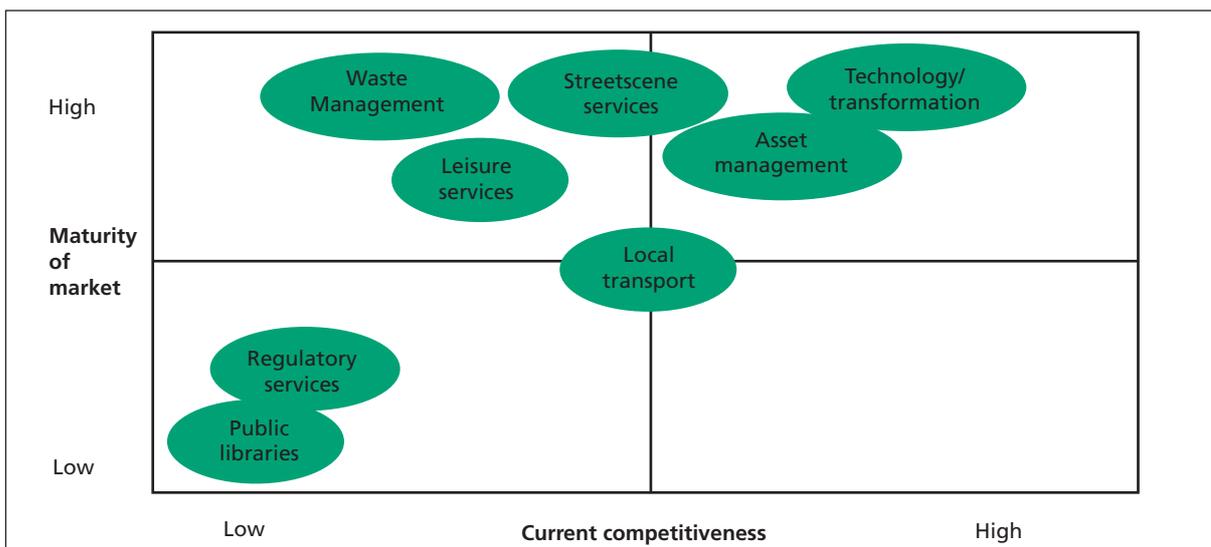
28 *Transforming the Procurement of Temporary, Agency and Interim Staff* (LCPE, 2006)

29 Available at: www.lcpe.gov.uk/Library/pdf/etho-061013-agency%20toolkit.pdf and www.lcpe.gov.uk/Consultancy/Project_Summary.asp

30 Available at: www.cwdcouncil.org.uk/advice/index.htm

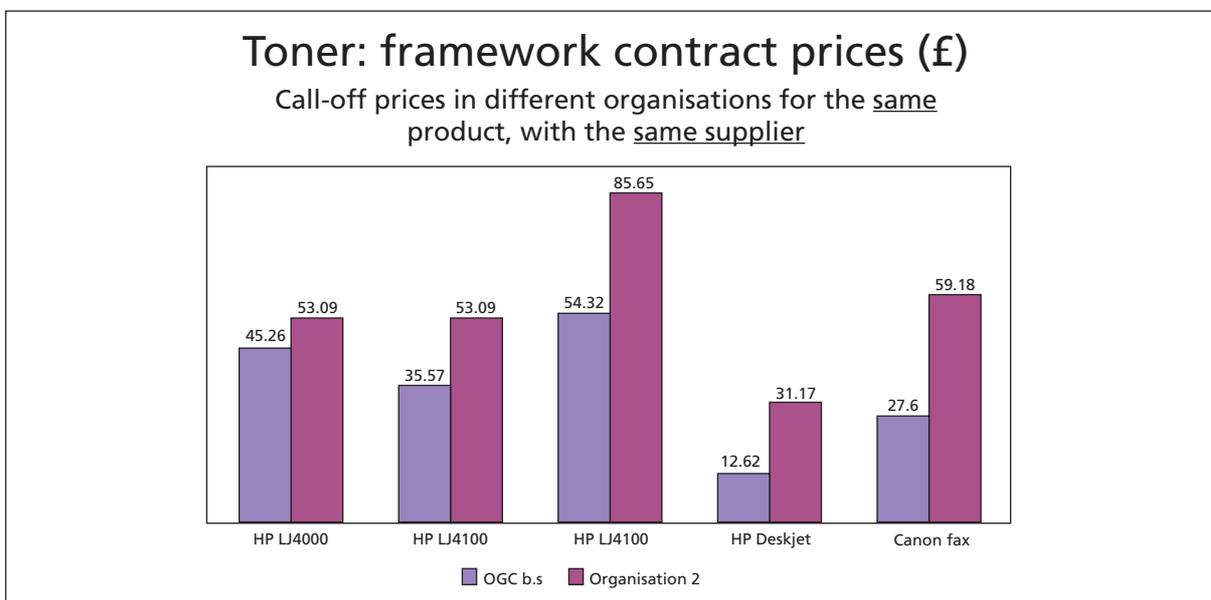
31 *Long term evaluation of the Best Value Regime: Final Report* (Communities and Local Government, 2006)

32 *Developing the local government services market to support the long-term strategy for local government* (Communities and Local Government and PWC, 2006)



3.38 The Local Government White Paper stated that the duty and the principles of best value will remain at the heart of the performance framework for local government, but that we would strengthen the approach to competition through statutory guidance, as part of the wider move to a more holistic commissioning role for local government³³. This will be supported by a Code of Competition Practice on the core practices expected in all local authorities and suppliers.

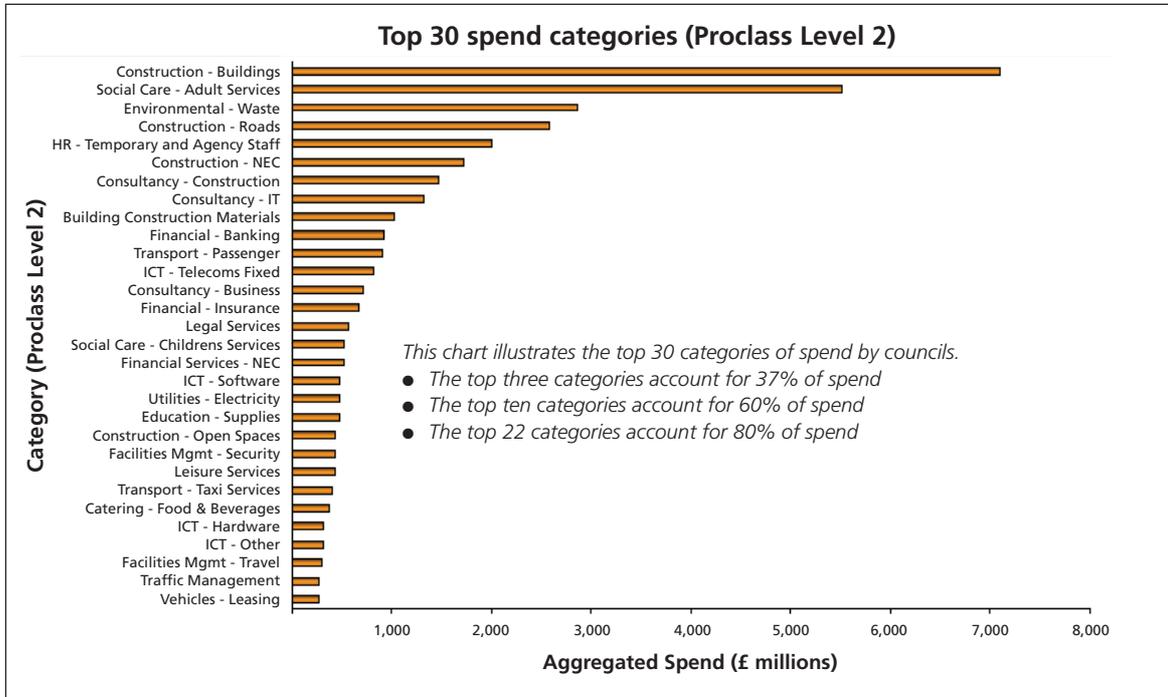
3.39 To meet the efficiency challenge successfully, councils will need to take a hard look at expenditure on third parties as well as internal spend. Initial work undertaken by the RIEPs, for example, shows wide variations in prices paid for similar items.³⁴



33 See Chapter 7 of the Local Government White Paper

34 Case studies suggest that a percentage gain of 10% – 15% of spend is possible from procurement of commodity goods and services above and beyond that to be achieved in the SR04 period. More sector specific procurement takes longer and is more difficult, and case studies predict a lower level of return at 5% – 10%. The weighted average of these two categories is 8.5% of baseline.

3.40 To achieve a coherent framework of support for councils' actions on commissioning and procurement, different solutions need to be applied to different markets – aggregation of demand may, for example, be particularly useful in markets with a small number of large and powerful suppliers. Consequently, actions may differ by service sector at local, regional and national levels. It will be important to identify and focus on areas with particularly high spend:



3.41 The RIEPs have a central role to play. They are currently developing Regional Improvement and Efficiency Strategies which will include actions to promote market development and shaping. They will work to disseminate best practice, promote knowledge and strengthen capabilities to ensure councils approach those markets in the most effective way to deliver value for money.

The Yorkshire and Humber region is introducing a Supplier Contract and Management System that allows councils to share information on approved suppliers and contracts, to create standard tender documents and specifications, and to share forthcoming tender documents with a view to encouraging other councils to join in. It is estimated that the action on e-tendering alone should result in £2.5 million per annum gains regionally.

The South East Regional Partnership is developing detailed knowledge of procurement efficiencies across a range of services. As part of this, it is taking steps to enhance efficiency in several markets in a number of ways: coordinating with key partners on an evidence based assessment of return on investment (using analysis of external spend and comparison of unit costs), and taking a pro-active and collective approach to the market through use of frameworks or partnering tools, partnering with the private sector and leveraging spend, particularly in the areas with high spend and large variation in prices.

- 3.42 Government departments have also offered support. For example, the Office of the Third Sector will deliver and extend the national programme for third sector commissioning, while DCSF's Centre of Procurement Performance (CPP) and the RIEPs will work together to introduce new regional commissioning units to secure better value for money and introduce placement choice for children; improve the recruitment and training of foster carers; extend the use of family support; and promote specialist foster care for children with complex needs.
- 3.43 Through the RIEPs working with central government and relevant advisers to bring together the tools, techniques and skills centred on commissioning, procurement, market shaping and promotion of competition, councils will increasingly be in a position of better understanding of what their local and regional markets are and how they will develop in the future, who they will need to collaborate with to reshape markets or aggregate purchasing power, and how to access the relevant skills.

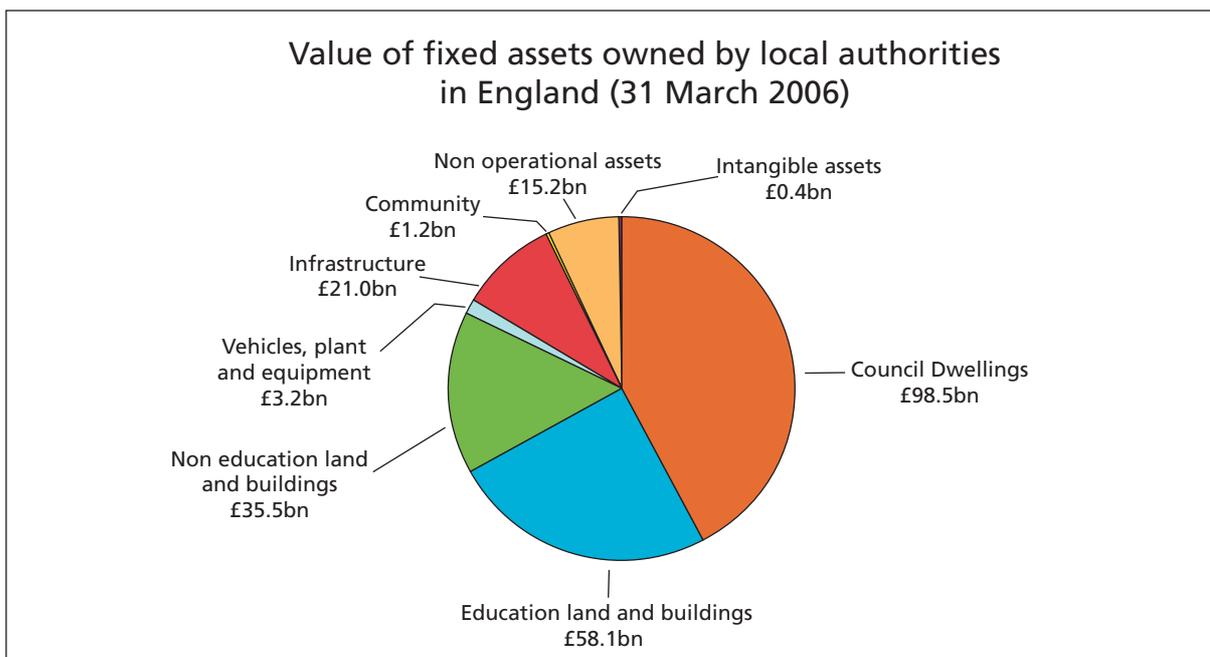
Essex County and Thurrock councils have worked together to consolidate 23 providers of 66 services for vulnerable people into three large scale contracts which should enable people to experience a planned transition from supported to independent housing under a regime of continuous support. The project has already realised efficiencies of £1.2million per annum, while increasing support by 20%.

Asset Management

- 3.44 A study by OPM³⁵ suggests that “there is a strong consensus that the number of offices used by councils could be greatly reduced, but that this would require departments and service teams to review ways of working and how office space is used. The introduction of more remote working technology, for instance, could reduce the reliance on office desk and filing space”. As a result, it is clear that although councils have made much progress in improving asset management, there remain significant improvements that can be made³⁶.
- 3.45 Action on local government should not be taken forward in isolation. A clear option is greater use of co-location (which, if well planned, additionally delivers service outcome improvements), as well as shared use of assets. Such options show that effective asset management is a means to an end, rather than an end in itself.
- 3.46 Asset disposals currently contribute to the SR04 efficiency target to the extent of the sum of the nominal interest on the value of those disposals. This will remain the case in the CSR07 period.

³⁵ *Local Government Efficiency* – Literature review and case studies (OPM, 2007)

³⁶ At a nominal interest rate of 5%, asset disposals of some £4.8 billion over the CSR07 period (a continuation of the £1.6 billion annual figure which is the latest available) would lead to efficiency gains of the order of £0.24 billion. A further £0.06 billion efficiency is estimated to accrue to local government in the form of PFI efficiencies and asset sharing to reduce capital pressures.



37

- 3.47 The Government endorses the recommendation of Sir David Varney’s report that the cost of estates management be substantially reduced through the use of shared offices and innovative use of mobile technology. The Department will produce a separate asset management strategy which sets out the Government’s high level framework for local authority asset management during the CSR07 period.
- 3.48 The Government aims to support enhancements to the capacity of property expertise within councils, particularly at the member level, to encourage strategic decision making and partnership working. In particular, the Beacon Councils are carrying out a Peer Review in partnership with IDEa on a small number of authorities, while the RIEPs have worked alongside the Institute of Public Finance to pilot an asset management road show.
- 3.49 Asset management planning is included in the ‘Use of Resources’ block of CPA. The Department is discussing scope for assessing asset management at a more strategic level focused more on outcomes with the Audit Commission as part of the new Comprehensive Area Assessment (CAA).
- 3.50 There is also an opportunity to strengthen guidance on asset management. The RICS worked with the Office of the Deputy Prime Minister to publish Local Authority Asset Management Guidance in 2005. The Department will be working with RICS, CIPFA and the Audit Commission to complement the 2005 guidance and the new RICS public sector asset management guidelines with updated policy guidance reflecting the Local Government White Paper and also the findings of the Quirk Review.

37 Table 5.1b, *Local Government Financial Statistics 17* (Communities and Local Government, 2007). Infrastructure assets and community assets are included in the chart at historical cost, net of depreciation. Other assets are included in the chart at net replacement cost or net realisable value.

3.51 In May 2005, the Quirk Review on community management and ownership of assets³⁸ highlighted the way that grass-roots community organisations working with local government can make better use of public assets. The Department has fully endorsed the findings of that report and published an implementation plan³⁹ which sets out a series of actions to be taken in 2007-08. These include:

- Supporting council-third sector partnerships in twenty areas to demonstrate how a strategic approach to asset transfer can work in practice;
- Investment by the Cabinet Office of £30m in the refurbishment of council buildings to facilitate their transfer to communities through the Communities Assets Fund;
- Strengthening the advice and guidance available to council officers and members through the new guidance, through a new risk management toolkit and through a programme of regional seminars; and
- Ensuring skilled technical and organisational development support is also available to community organisations taking on public assets.

3.52 Key actions by the Department and the RIEPs are to:

- Promote the work of the Beacon councils on asset management, and other sources of good practice such as CIPFA to strengthen capacity and skills in asset management (2007-08);
- Provide tailored support for councils on asset management, including disseminating good practice case studies and relevant benchmarking information (2008-09 to 2010-11); and
- Promote local service partnerships developing service and asset rationalisation strategies in locality and community areas.

Summary

3.53 The table below summarises expected efficiency gains from the practical options that delivering tangible gains described above:

Table 3.1: Efficiencies by workstream (£bn)			
	2008-09	2009-10	2010-11
Business process improvement, including collaboration	0.6	1.1	1.8
Smarter procurement	0.9	1.8	2.8
Asset management	0.1	0.2	0.3
Total	1.5	3.2	4.9

³⁸ *Making Assets Work: the Quirk Review of community management and ownership of public assets* (Communities and Local Government, 2007)

³⁹ *Opening the Transfer Window: the government's response to the Quirk Review of community management and ownership of public assets* (Communities and Local Government, 2007)

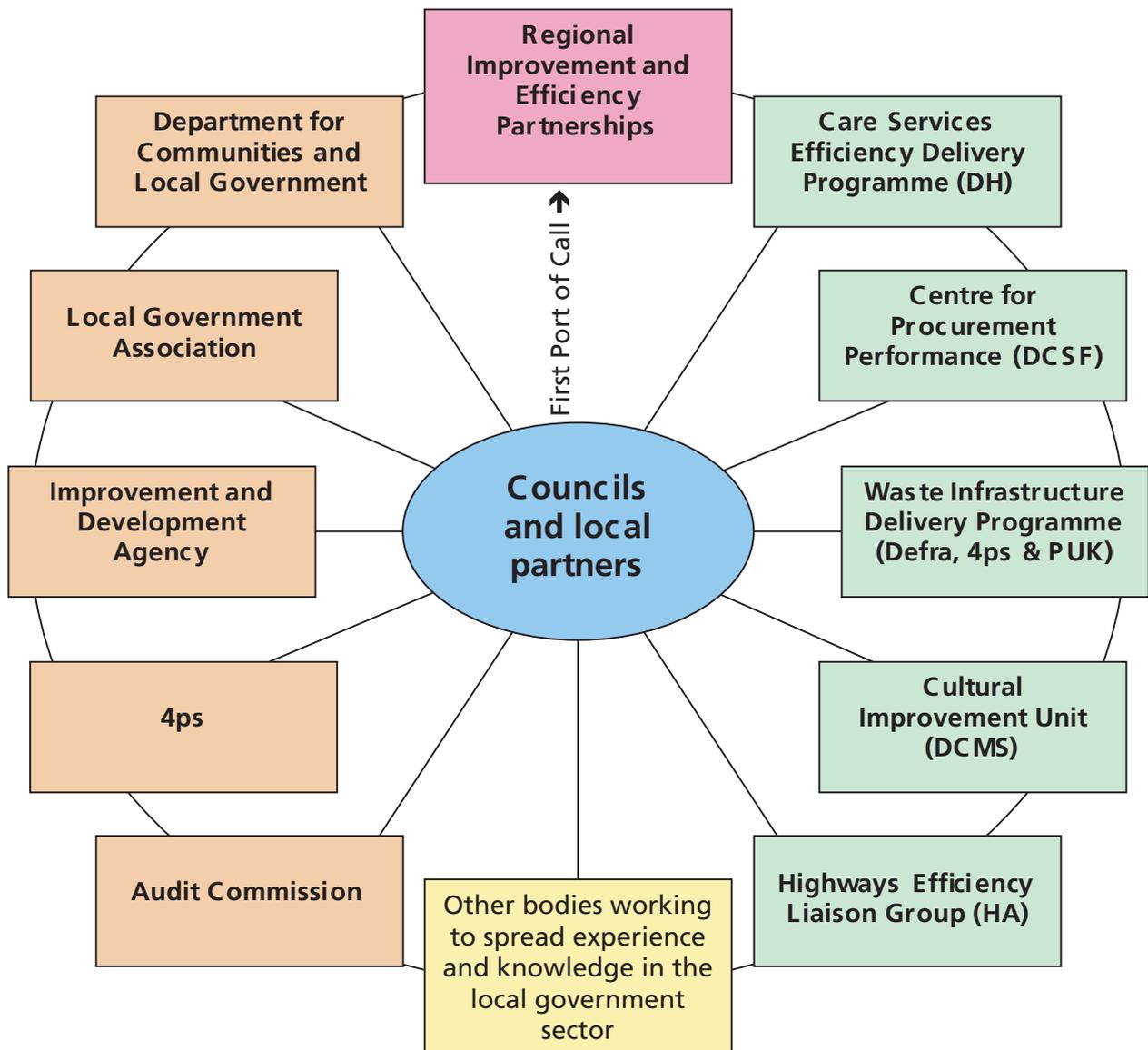
3.54 There are a number of points that should be borne in mind about the data presented in the table:

- These figures represent expectations on the scope for efficiency gains through each option, and do not represent targets either for councils or the Department – councils will be free to choose how to make gains;
- The figures are broadly proportionate to councils' expenditure – for example, procurement accounts for broadly 60% of council spending, and also 60% of the expected gains;
- There are strong interlinkages between the options – use of technology efficiency gains are incorporated within business process improvement, collaboration and procurement, while competition and market shaping efficiencies are contained within the procurement category;
- Much larger gains may be obtained in the long-term through these options, especially through collaboration and shared services, but these figures focus solely on the gains, net of costs, that it is expected can be obtained by the end of 2010-11.

3.55 It is equally valid to consider the efficiency challenge from a service sector perspective as well as one based on the crosscutting actions described in this chapter. Thus, Annex E provides details of actions to support efficiency from the service sector perspective.

4 Support organisations

4.1 Building upon and streamlining the structures that have been successfully put in place for the SR04 period, councils will be able to call upon a range of support arrangements for their work, as determined through the NIES. The key organisations involved are illustrated below:



4.2 The precise workings of these organisations will vary during the course of CSR07 in line with the development of the National and Regional Improvement and Efficiency Strategies and so are subject to change in line with changing circumstances. Consequently, this Chapter provides only an initial outline as to the roles and activities to be undertaken by those organisations. Annex F contains a summary of the governance arrangements for the NIES.

Regional Improvement and Efficiency Partnerships

- 4.3 The Improvement Partnerships and Regional Centres of Excellence are in the process of merging to form Regional Improvement and Efficiency Partnerships (RIEPs), to strengthen regional support. They will act as the focal point for support to councils and will fund projects to help secure further efficiencies.

The RIEPs have an ongoing remit of providing efficiency leadership, capacity building, and invest to save project funds which continue to deliver efficiencies ahead of the SR04 target. They are working with councils on locally determined procurement and efficiency projects in areas such as adult social care, construction, and shared services.

Key actions include funding for regional infrastructure; project funding; framework contract for business process re-engineering skills and capacity; and implementation support for customer insight, channel strategy, and channel take-up.

- 4.4 The RIEPs will be expected to work with other organisations as appropriate (including Government Offices and IDEA Regional Associates), and to align their activities with the LAAs within their region. As with the SR04 agenda, they will sometimes have a role that operates across the country, for example by acting as the co-ordinator and interface with central government on issues affecting a given service sector.
- 4.5 Each Partnership will publish a Regional Improvement and Efficiency Strategy early next year detailing how it will fulfil its remit to underpin improvement and efficiency support for councils and their partners in the region.
- 4.6 As part of the process, the RIEPs will coordinate an analysis of regional improvement and capacity building needs, informed by LAA improvement priorities, and reflecting support to poor and weak authorities with a developing role in dealing with underperformance. They will provide support on issues including:
- Performance improvement, including support for LAAs and Multi-Area Agreements (MAAs);
 - Procurement, business process improvement and shared services;
 - Pay and workforce, staff planning and development;
 - Innovation, dissemination of good practice and benchmarking; and
 - ICT benefits realisation and infrastructure.

Department for Communities and Local Government

4.7 At a national level, the Department retains responsibility for facilitating the delivery of efficiency gains by councils and co-ordinating the work of other organisations in this area. To this end, its key activities will be to:

- Commission, collate and disseminate national research on key approaches to enhancing efficiency and transformation of local service delivery;
- Promote pathfinders in key areas of interest, such as shared services, customer insight and business process improvement;
- Agree and co-ordinate the key objectives and performance management arrangements for the RIEPs;
- Work with the sector to ensure the effective sharing of learning attained by RIEPs nationally, so that resources are allocated effectively and to mitigate the risks of duplicative working; and
- Act as strategic client for service transformation tools.

4.8 The Department will provide an additional £150m to support the drive for efficiency; together with other funding, this will provide over £380m during CSR07 to deliver an agreed improvement and efficiency strategy.

Government Offices

4.9 The Government Offices will have a central relationship between councils and central government on improvement and efficiency. In particular, they will:

- Work with RIEPs to agree regional improvement and efficiency strategies and where appropriate the deployment of sector led support;
- Identify priorities for places that are of significance to the delivery of national strategic objectives and where additional support might be needed;
- Ensure that the deployment of regionally co-ordinated government funded improvement support is delivered consistently with sector led action;
- Advise ministers on support where performance issues arise and in co-ordinating other support if sector led support does not deliver results;
- Where local underperformance persists, and there is not the reassurance that sector led action is sufficient, take action to address it (including advising departments on further support and the intervention); and
- In cases where immediate action is needed (e.g. child safety), liaise with the sector to ensure appropriate action is taken.

Local Government Association (LGA)

4.10 The LGA is committed to developing a robust approach to sector self challenge and improvement support. Following key recommendations in the Best Report, the LGA has initiated a wide programme of work on innovation and improvement to support poorer performers, challenge moderate performers and help excellent performers to excel further. The LGA will provide challenge and direction to support programmes at national and regional level:

- Strengthening the sense that the national bodies are a single collaborative venture working on behalf of councils, ensuring that the local government family works to a single shared strategy and direction agreed by the LGA Executive and the boards of the central bodies; and
- Challenging RIEPs, through the Improvement Board, to ensure they provide appropriate support at regional level to drive improvement and efficiency among their councils.

Government Departments

4.11 Government departments are committed to working with councils to help identify opportunities for efficiency gains and support the spread of good practice within their service sectors. Each department will be utilising means of communication appropriate to the sector, making the most of existing groups and other information channels – liaising first with the RIEPs to ensure a joined-up approach. Key actions being taken are given below, with full details set out in Annex E.

- **Department of Health (DH)** – through engagement and joint working, the Care Services Efficiency Delivery Programme (CSED) will support adult social care efficiencies in seven workstreams – reablement, assessment and care management, process improvement, electronic monitoring, demand forecasting, community equipment, and agency staff. CSED will continue to work with the Association of Directors of Adult Social Services, the Care Services Improvement Partnership and the RIEPs;
- **Department for Children, Schools and Families (DCSF)** – the main elements of the strategy for children’s services are set out in the Every Child Matters change programme. The Centre for Procurement Performance, will work closely with more than 60 councils to improve commissioning and spread good practice on children’s services. In addition, DCSF is introducing new regional commissioning units (which will work closely with the RIEPs), and support improvement in skills.
- **Department for Culture, Media and Sport (DCMS)** – the Cultural Improvement Unit, established by the Improvement and Development Agency, advises councils and has created tools to help the sector drive improvement; DCMS is also working with the Museums Libraries and Archives Council and Sports England on ways to support efficiency;
- **Department for the Environment, Food and Rural Affairs (Defra)** – Defra, with the support of the Waste & Resources Action Programme (WRAP), will continue to help councils reduce their waste arisings, enhance the efficiency of

their collection services and make the most of the products of waste management. Defra, in partnership with 4ps and Partnerships UK, will also continue to support councils' procurement of large scale waste treatment infrastructure through the Waste Infrastructure Delivery Programme (WIDP). The efficient procurement of waste collection commodities, goods and services will be promoted through the RIEPs. All bodies will promote joint working between authorities.

- **Department for Transport (DfT) and Highways Agency (HA)** – the Highways Agency is the key change agent for highways, working with an Efficiency Liaison Group and RIEPs to encourage new forms of procurement. Non-highways efficiency is promoted through joint DfT/RIEPs projects on areas such as integration of local transport provision with health and social needs;
- **Department for Communities and Local Government** – has specific policy responsibilities including Neighbourhood Renewal Fund, Homelessness, Planning, Social Housing and Supporting People. Actions to promote efficiency include continuation of the national change agent for social housing until 2008-09 (by when capital work efficiency consortia will have been established in each region), embedding the good practice identified by Supporting People's Value Improvement Pilots, and continuation of the Planning Advisory Service operated within the IDeA;
- **Department for Work and Pensions (DWP)** – offers free consultancy services through its Performance Development Team, disseminating good practice and facilitating mentoring of councils. DWP is also exploring options to simplify the data collection arrangements for councils.

4.12 During CSR07, the main focus of the Office of Government Commerce (OGC) will be on promoting best practice solutions for procurement and shared services in central government organisations. However, OGC's products and expertise will be deployed through the RIEPs in terms of dissemination of procurement opportunities for councils to consider.

Local Government Association (LGA) Performance Partnership

4.13 The LGA Performance Partnership brings together the activities of the Improvement and Development Agency (IDeA), the IDeA Regional Associates, Local Government Employers (LGE), the Public Private Partnerships Programme (4ps) and the Local Authorities' Coordinators of Regulatory Services (LACORS). The partnership aims to draw on the experience of councillors and officers to provide help and support where needed.

4.14 Key actions by IDeA include: peer-based improvement support to councils, including customer service, resource, people and asset management peer reviews; mentoring support; development of the Pay and Workforce Strategy in partnership with the Department; delivery of direct improvement support to councils; and dissemination of best practice through the Beacons scheme, Knowledge Network and esd-toolkit websites and communities of practice.

4.15 Key actions by 4ps are to provide: direct advice to councils; national guidance on projects; Gateway Reviews; skills development programmes; and expertise in relation to PFI and PPP deals. In addition, 4ps is a member of the Waste Infrastructure Delivery Programme (in partnership with Defra and Partnerships UK) concentrating on the procurement of large scale disposal infrastructure through PFI and other funding mechanisms.

Audit Commission (AC)

4.16 The AC's role in supporting improvement will be aligned with the new performance framework. It will include:

- A more proportionate and tailored approach to inspection that recognises the unique challenges of local areas and their varying capacity to improve;
- Providing challenge and assurance on local delivery, working with local partnerships to identify risk, spot adverse trends and identify and promote best practice;
- Working closely with local services inspectorates, Government Offices and RIEPs to identify places where the achievement of agreed outcomes is at risk or there is serious risk of failure arising; and
- Also working with these partners to ensure that support for improvement and responses to poor performance are co-ordinated and tailored to the nature and severity of the problem and draw on a clear analysis of problems and best practice.

4.17 An important element of the AC's work is their studies programme, which aims to support improvement by analysing the effectiveness of local practices and disseminating the good practice uncovered. Studies currently underway include: strategic service partnerships; competition and contestability; public sector workforce; back office functions; and asset management.

5 Key contacts

5.1 The first port of call for support on efficiency gains is the local Regional Improvement and Efficiency Partnership. Key contacts are:

East	Michael Worrton	Michael.worrton@norfolk.gov.uk	01603 704 030
East Midlands	Chris Allison	Chris.allison@nottsc.gov.uk	0115 977 3875
London	Ken Cole	Ken.cole@londoncouncils.gov.uk	020 7934 9967
North East	David Wright	DavidWright@Gateshead.gov.uk	0191 433 2230
North West	Colin Cram	Colin.cram@tameside.gov.uk	0161 342 3762
South East	Teresa Skinner	Teresa.skinner@sece.gov.uk	01883 732957
South West	Julian Morley	j.morley@dorsetcc.gov.uk	01305 757 230
West Midlands	Andy Hancox	ahancox@wmcoe.gov.uk	0121 245 0220
Yorks & Humber	Tony Wiltshire	tony.wiltshire@yhcoe.org.uk	0113 247 4483

5.2 The Government Offices in each region have a role in challenging councils to improve in all areas of their activities. Key contacts are:

East	Andrew Limb	andrew.limb@goeast.gsi.gov.uk	01223 372538
East Midlands	Peter Murphy	peter.murphy@goem.gsi.gov.uk	0115 971 4720
London	Fiona Stone	fiona.stone1@gol.gsi.gov.uk	020 7217 3648
North East	Graeme Farnworth	graeme.farnworth@gone.gsi.gov.uk	0191 202 3572
North West	Philip Watson	philip.watson@gonw.gsi.gov.uk	0161 952 4389
South East	Joanna Hill	joanna.hill@gose.gsi.gov.uk	01483 885263
South West	Jayne Erskine	jayne.erskine@gosw.gsi.gov.uk	0117 900 1704
West Midlands	Amanda Kennett	amanda.kennett@gowm.gsi.gov.uk	0121 352 5044
Yorks & Humber	Simon Walker	simon.walker@goyh.gsi.gov.uk	0113 341 2872

5.3 The Department for Communities and Local Government is the lead central government department in relation to the improvement and efficiency agenda for councils. Key contacts are:

Paul Downie	paul.downie@communities.gsi.gov.uk	020 7944 4266
Neil Reeder	neil.reeder@communities.gsi.gov.uk	020 7944 6916
Michael Read-Leah	michael.read-leah@communities.gsi.gov.uk	020 7944 3470
Jackie Reid	jackie.reid@communities.gsi.gov.uk	020 7944 8399
Website	http://www.communities.gov.uk/index.asp?id=1134484	

5.4 Other organisations can be reached through the above named contacts, or websites linked in references throughout this document.

Annex A: Baseline calculations

Methodology

- A.1 The baseline for the CSR07 Local Government value for money target excludes schools, fire and police expenditure.
- A.2 The baseline does not represent the Government's assessment of the spending plans for council services in 2007-08, and does not provide a forecast of spending in that year to which councils must adhere. Its aim is simply to provide a starting point for evaluating expectations on efficiency. The basic principle is to assess total service expenditure in 2007-08.
- A.3 There are a number of changes to the methodology used in SR04. The main differences are as follows:

Revenue

- A.4 All specific grants within Aggregate External Finance (AEF) (including LPSA reward grant and Neighbourhood Renewal Fund) have been included, except that a deduction has been made for the GLA Transport Grant. Courts service expenditure is included.
- A.5 The following specific grants outside AEF are excluded – Education Maintenance Allowance; Higher Education Funding Council payments; LSC grant for Adult Education; and Mandatory Student Awards.

Capital

- A.6 Gross capital expenditure is used in the main and, therefore, capital receipts have not been taken into account. Courts service expenditure is included. Grant and prudential borrowing for Transport for London is excluded.

Table A.1: Baseline for Local Authority efficiency target	
	£ billion
Revenue expenditure	40.9
Capital expenditure	12.0
Total expenditure	53.0
Efficiency target (2010-11) *	4.9

Note: * Calculated as a multiplicative 3% per annum efficiency requirement

A.7 In summary, the baseline is calculated as the estimated value for 2007-08 of:

- Total Net Service Expenditure
- *Plus* Passenger Transport and Waste Authority
- *Minus* Schools [Nursery, Primary, Secondary and Special Schools], Fire Service [Fire and rescue service], and Police services
- *Minus* specific grants: Education Maintenance Allowance; Higher Education Funding Council payments; Learning and Skills Council grant for Adult Education; and Mandatory Student Awards.
- *Plus* Total Capital Expenditure
- *Minus* Education, Fire, Police and Courts Capital Expenditure

Annex B: Value for money expectations

B.1 The table below summarises the split between revenue and capital efficiencies using Departmental returns:

Table B.1: Revenue/Capital efficiencies (£bn)			
	2008-09	2009-10	2010-11
Revenue	1.1	2.4	3.8
Capital	0.4	0.8	1.1
Total	1.5	3.2	4.9

B.2 The table below sets out these expected figures as a percentage of annual improvement compared to baseline expenditure:

Table B.2: Efficiencies by Workstream			
	% Improvement	Baseline (£bn)	Total (£bn)
Business Process Improvement & Collaboration	2.7	21.2	1.8
Asset management		n/a	0.3
Procurement	2.8	31.8	2.8
Total	3.0	53.0	4.9

B.3 With the exception of the £4.9 billion requirement, these figures represent expectations on the scope for efficiency through alternative options and do not represent targets either for councils or the Department.

Annex C: Embedding value for money into corporate practices

C.1 This self-audit checklist has been compiled by understanding good practice for assessing efficiencies and producing the backward look statements across a sample of councils. It is provided as an aide for councils to help them assess and improve their current performance, and is not an additional set of requirements to meet.

Item	Beyond Gershon
Drivers behind finding efficiencies	Finding efficiencies is part of the council's activity to improve value for money for taxpayers and outcomes for local citizens and communities, e.g. a strategic priority may be to provide high quality service and keep council tax low.
Role and importance of efficiency agenda	<p>Council members and senior managers lead the agenda, and communicate their vision, ambitions and priorities to other staff within the organisation, its partners and local people.</p> <p>The leadership critically challenges service areas to ensure that resources are used effectively. Service managers understand the agenda.</p>
Strategy to find efficiencies	<p>Efficiency targets reflect the council's strategic priorities, and take account of the council's current level of performance, i.e. its unit costs and feedback from external auditors' assessment reports etc.</p> <p>Efficiency inextricably linked to the agenda to improve services, e.g. it is an integral part of LAA targets, and opportunities to achieve efficiency through better partnership working are actively pursued.</p> <p>Efficiency targets are supported by a robust business case (business case includes stating risks and factoring them into the forecast of financial and qualitative benefits).</p>
The level and clarity of accountability for meeting the efficiency agenda	<p>Accountability for meeting the agenda clearly articulated, including responsibility for who is delivering which elements of the efficiency agenda.</p> <p>Senior managers periodically review progress towards meeting efficiency target, and report regularly to members. Key members understand progress of high efficiency value projects; particularly those that affect service quality.</p> <p>Internal Audit activity is directed to areas of greatest risk through a formal risk assessment of the agenda.</p> <p>Citizens and service users are kept informed.</p>

Item	Beyond Gershon
Transparency and consistency of calculations	<p>Gains are based on existing data or assumptions.</p> <p>Sources for all data and assumptions that go into the calculations are clearly defined.</p> <p>Assumptions are refined as projects progress and better data becomes available.</p> <p>Benchmarking is used to calculate gains.</p>
Impact of identified gains on outcomes	<p>Individual gains are linked clearly to outcomes and processes (i.e. budget or service planning process).</p>
Maintenance of service quality assured	<p>Review of costs is closely connected to an assessment of service quality or outcomes, properly reflecting the performance of each service sector</p>
Consideration of the likelihood (or risk) of realising a gain	<p>Projects of high value and low likelihood of realisation are scrutinised more heavily.</p> <p>Likelihood of delivery revised as project progresses.</p>
Awareness of when gains are realised	<p>Gains are tied to outcomes and seen in budget or in performance quality.</p>
Sustainability of gains assured	<p>Processes in place to ensure that those efficiency gains from earlier years reported as ongoing are indeed sustained.</p> <p>Efficiency calculations form part of performance management processes to ensure gains sustained.</p>

Annex D: Actions by theme

D.1 Chapter 3 outlined a number of themes where it is expected that further value for money gains can be achieved by councils. This annex sets out the actions planned to facilitate gains in each of these themes, divided between those to be undertaken by the Department for Communities and Local Government, other government departments, Regional Improvement and Efficiency Partnerships and other local bodies. They are subject to change with further development of the National and Regional Improvement and Efficiency Strategies.

Business Process Improvement

D.2 A key theme for the actions planned in this area is to increase the capacity of local government to utilise business process improvement techniques.

Department for Communities and Local Government

Agree objectives and provide funding for regional partners (2007-08)

Act through the Business Improvement Package to disseminate key findings, lessons learned and tools from the NPIP pathfinders (2007-08 to 2008-09)

Promote basic principles for consistent identification costing and analysis of processes (2007-08 to 2008-09)

Undertake a second phase of NPIP's pathfinder programme, with a particular emphasis on cross-sector working projects, encompassing incentives for and measurement of "cost shunting" and "benefits altruism" between service delivery partners (2007-08 to 2008-09)

Regional Improvement and Efficiency Partnerships

Work with Departments and local partners on Pathfinders, business process mapping tools and benchmarking standards (2007-08)

Provide tailored support to councils on business process re-engineering mapping and design software and other e-learning tools regional framework contract for process re-engineering skills (2007-08 – 2010-11)

Build mentoring networks, reference groups, and support training for BPI activities (2007-08 – 2010-11)

Provide project funding for councils (2008-09 – 2009-10)

Disseminate results of benchmarking programmes (2007-08 – 2010-11)

Local level

Develop benchmarking information (2007-08 – 2009-10)

Utilise business process re-engineering mapping and design software and other e-learning tools (2007-08 – 2010-11)

Undertake training and peer support programmes and participate in practitioners information exchange (2007-08 – 2010-11)

Bid for project funding from RIEPs and undertake service redesign projects (2008-09 – 2010-11)

Collaboration between Public Bodies

- D.3 The activities in this area seek to build on existing experience of collaboration and provide the foundations to encourage others to enter into shared services where appropriate.

National level

Agree objectives and provide funding for regional partners (2007-08)

Building on examples such as the “Dorset for You” and Worcestershire Hub model, the Department will explore ways to work with councils and their local partners on planning and implementing shared service strategies in a two-tier context (2007-08)

Undertake work with selected councils to standardise business case information, develop benchmarking data, and test the scale and effectiveness of delivery models (2007-08 – 2008-09)

Regional Improvement and Efficiency Partnerships

Facilitate councils work to develop and implement business cases for change management and transfer change management skills (2007-08 – 2010-11)

Use results from NPIP to identify good practice and monitor progress (2008-09 – 2010-11)

Play a brokerage role – promote framework contracts where appropriate, and create networks of interest on collaboration (2008-09 – 2010-11)

Facilitate development of service hubs (2008-09 – 2010-11)

Local level

Exemplars to test opportunities in the new performance framework and strengthened LAAs to promote and deliver partnership working within and across councils' boundaries (2007-08 – 2008-09)

Implement service collaboration strategies (2007-08 – 2010-11)

Use of Technology

D.4 Three types of activity are required to take forward efficiencies via this workstream: providing information and advice; enhancing infrastructure; and strengthening capabilities.

Department for Communities and Local Government

Agree objectives and provide funding for regional partners (2007-08)

Disseminate benchmarks, peer group comparisons, and good practice through the Business Improvement Package, using the Front Office Shared Services project to highlight exemplars (2007-08 – 2010-11)

Promote tools to assess the unit costs of service delivery (activity based costing) to make the business case for self-service (2007-08 – 2010-11)

Continue to support Gov Connects in its basic format of providing underpinning ICT infrastructure between councils and central government (2008-09 – 2010-11)

Continue to support Local DirectGov, which provides the components that connect the Directgov website to council websites (2008-09 – 2010-11)

RIEPs (in conjunction with Government Connect)

Disseminate results of benchmarking programmes (2007-08 – 2010-11)

Provide targeted training, capacity building, and implementation support for councils on use of technology, with particular emphasis on customer insight, channel strategy and take-up (2007-08 – 2010-11)

Promote training and peer support programmes and set up practitioners information exchange (2008-09 – 2010-11)

Offer funding for projects (2008-09 – 2010-1)

Local level

Utilise use of technology tools (2007-08 – 2010-11)

Undertake training and peer support programmes and participate in practitioners information exchange (2007-08 – 2010-11)

Bid for funding and undertake projects (2007-08 – 2009-10)

Smarter Procurement, Enhanced Competition

- D.5 Actions to strengthen competition and market development are being taken forward in local services as a whole, complemented by actions to promote smarter procurement in strategic services on a sector by sector basis.

Department for Communities and Local Government

Agree objectives and provide funding for regional partners (2007-08)

Support RIEPs in promoting key national delivery actions on local government procurement (e.g. identification of priority markets and negotiation of framework contracts) (2007-08)

Provide guidance on best value and commissioning (2007-08 – 2010-11)

Develop a code of competition practice negotiated between commissioners, suppliers and inspectorates on the core practices expected in all councils and suppliers (2007-08)

Regional Improvement and Efficiency Partnerships

Disseminate information to councils on efficiency benefits from utilising smaller number of consortia and so harness purchasing power (2007-08)

Strengthen market intelligence data and make available to councils (2007-08)

Promote, on voluntary basis for councils, national deals negotiated by OGC in areas such as energy and telecoms (2007-08 – 2010-11)

Work with OGC to negotiate further key deals with powerful suppliers and initiate Framework Contracts (2007-08)

Work in partnership with Government to shape the local government strategic services markets to encourage diverse supply, secure alternative provision in uncontested services and increase capacity and competitiveness in existing markets (2007-08 – 2010-11)

Promote professional procurement organisations and/or authorities providing a shared procurement service on behalf of significant clusters of other councils (2007-08 – 2010-11)

Local level

Some councils will undertake a shared procurement service on behalf of clusters of other councils (2007-08 – 2010-11)

Utilise shared procurement services where clear business case for doing so (2007-08 – 2010-11)

Utilise regional market intelligence data and provide feedback on it (2007-08 – 2010-11)

Increase the extent of sustainable procurement best practice approaches, including dealing with SMEs and the VCS (2007-08 – 2010-11)

Regularly test competitiveness of services and use fair and open competition for underperforming services wherever practical (2007-08 – 2010-11)

Asset Management

D.6 Actions will focus on promoting good practice in asset management and seeking opportunities for co-location.

National level

Agree objectives and provide funding for regional partners (2007-08)

To support a programme of activity planned by IPF and East Midlands RCE to raise the profile of asset management (2007-08).

Promote the work of the Beacon councils on asset management, and other sources of good practice such as CIPFA to strengthen capacity and skills in asset management (2007-08)

Work with the Audit Commission to promote strategic asset management more effectively (2007-08)

Revise local authority asset management guidance and re-publish it in 2008

Develop proposal to continue the PFI joint service centre programme to create exemplar projects (2007-08)

Consider and implement as appropriate key findings from the Quirk Review on asset management (2007-08 – 2010-11)

Regional Improvement and Efficiency Partnerships

Provide tailored support to councils on asset management including disseminating good practice case studies; mentoring schemes and case study portfolios (2007-08 – 2010-11)

Promote local service partnerships developing service and asset rationalisation strategies in particular locality and community areas (2007-08 – 2010-11)

Provide effective market intelligence data (2007-08 – 2010-11)

Local level

Conduct area-wide asset management planning (2007-08 – 2008-09)

Conduct asset disposals where there is a business case (2007-08 – 2010-11)

Annex E: Actions by sector

E.1 This chapter sets out proposed actions to facilitate the delivery of value for money gains in each service sector. It should be noted that this represents an alternative perspective to the crosscutting themes on supporting the achievement of the 3% efficiency challenge to local government set out in Chapter 3, and in no way reflect additional efficiency expectations.

Adult Social Care

E.2 Building on the experience of the Care Services Efficiency Delivery Programme in the SR04 period, key themes have been identified with the potential for achieving enhanced efficiency:

- Reablement involves developing or reconfiguring services to provide short, intensive home care and therapeutic services in order to “reable” applicable individuals and either prevent or reduce the demand for ongoing care and support services. Department of Health will support councils to achieve gains, working with other social services change agents.
- Assessment and care management entails streamlining existing referral, assessment and care management processes, improving knowledge sharing and enabling transfer of suitable responsibilities from professional to administrative staff, which includes the use of contact centres (where applicable).
- Process improvement planning and buying activities will improve the way that councils plan, commission, procure and contract social care. In particular, it will apply commercial tools in the area of market analysis, tendering, contracting (including contract negotiations and monitoring) and purchase to pay processes.
- Electronic monitoring of home care entails the adoption by councils (either for in-house services or services commissioned from independent providers via contractual requirements) of reliable and dependable systems of electronically logging the arrival and departure of care workers when delivering services to adults in their own homes.
- Demand forecasting and capacity planning involves improving demand forecasting and capacity planning within councils in order to improve commissioning and improving the linkage between the planning and delivery of services delivered.
- Community equipment – The development of a collaborative model for new service delivery which will entail a reduced role for councils in both the assessment for, procurement, storage and delivery of community equipment;
- Market shaping – The exploration of potential to reshape the residential care home market by giving it incentives to provide more appropriate capacity; looking for tactical and strategic improvements in the nursing care market (whilst accepting that providers in this market especially believe that councils are underpaying); and reshaping the market for domiciliary care to provide more flexible solutions; and

- Reduction in costs of agency staff. Spend on agency social care staff could be reduced through the development of collaborative purchaser models at regional/sub-regional level.
- E.3 To promote these, DH intends to follow and build on the collaborative model of engagements and joint working developed by the Care Services Efficiency Delivery (CSED) Programme. This is primarily a regional model that effectively harnesses the capabilities of other change agents engaged in efficiency and improvement work in relation to adult social care. These agents will in particular include the Association of Directors of Adult Social Services (ADASS); Care Services Improvement Partnership (CSIP); RIEPs; and the Improvement and Development Agency (IDeA).
- E.4 In addition the Department of Health's preparations for CSR07 will mainstream efficiency into its work programme by:
- Identifying the efficiency implications of the issues to be tackled in forward planning as part of the annual business plan process; and
 - Building efficiency and affordability factors fully into policy development process alongside the need to improve services.
- E.5 DH will put in place centrally-funded arrangements to support local authorities in their efficiency programmes for social care.
- E.6 A decision will be required about the exact format and governance arrangements for this central support. Ministers will need to consider the most effective ways in which the Department can support implementation and delivery by councils. This could include shifting the balance between central/regional support, joint working and integration with CSIP and the RIEPs.
- E.7 Subject to such decisions, it is envisaged that the methodologies used will be:
- Regional engagement with councils on a phased basis, applying diagnostic tools with councils in a regional area to identify specific areas for gains;
 - Detailed implementation support work with individual micro site councils with agreed process of knowledge transference with remaining councils in a given regional area via learning sets;
 - Bespoke implementation work with additional councils as required and as possible within resource constraints;
 - Issuing of good practice guides/tool-kits and reference guides on a national basis; and
 - Development of benefits measurement tools for councils in relation to each individual initiative.

- E.8 The key public sector partner for adult social care is the NHS, which link through partnership and joint arrangements (including pooled budgets where appropriate) and local plans and local area agreements. These links provide ways to focus total resources at local level in the best overall interest of the community. The promotion of this agenda has been enhanced by the recent creation of a Social Care Directorate within the Department of Health to facilitate more explicit mechanisms to address the interface issues between health and social care.
- E.9 In addition, to help councils gear up for the challenge of streamlining business processes and creating a more seamless interface with the NHS, the Department of Health is developing a workforce strategy which will be more closely aligned with current and emerging policy developments, particularly in the area of giving greater choice and control to end users. A draft reform timetable is set out below.

Table E.1: Adult Social Care reform timetable

Date	Action	Owner	Outcome
By April 2008	Ministerial decision of the type of support to be provided to councils and funding arrangements finalised	Social Care Directorate	DH support team established to work with other change agents, other government departments and councils
From April 2008	Ongoing DH support to councils to help drive through efficiency measures	Social Care Directorate	Councils supported to make efficiencies
From April 2008	Councils implement service reconfiguration/efficiency options	Councils	Councils continue to make the required gains

Children's Services

- E.10 The reform programme set out in Every Child Matters looks towards a much more efficient use of resources across the whole of children's services. The arrangements coming into place locally, within the overarching children's trust delivery model, will help councils identify ways of using available resources more effectively to improve outcomes.
- E.11 The Department for Children, Schools and Families (DCSF) will work closely with local government through the RIEPs and Government Offices. In particular DCSF will closely work with West Midlands Regional Centre of Excellence, the lead centre for Children's Services efficiencies.
- E.12 An important change agent for DCSF will continue to be the Centre for Procurement Performance (CPP). It was established to help councils and the Department's other partners through a series of externally focused delivery programmes. In particular, over the next three years, CPP will work directly with 60 councils to improve commissioning and to spread good practice throughout the country.

- E.13 DCSF maintains ten Regional Partnerships who focus on regional collaboration around children with special educational needs, disability or looked after status. DCSF has also instituted “Together for children” a new field force which will be working with authorities to share good practice and develop toolkits for improving effectiveness.
- E.14 The reforms will be taken forward and monitored through a number of project boards which are chaired by Directors. The SRO for these efficiencies is Tom Jeffery, Director General for Children and Families (CFD). Progress will be monitored through the Children and Families Programme Review Board and the CFD Efficiency and Reform Board. Further details on actions are given below by area.

Children’s Social Services

- E.15 Good progress has been made in implementing programmes to deliver Gershon efficiency gains. Evidence is available from this platform to indicate where further gains could be made going into the CSR07 period.
- E.16 The main elements for the overall strategy for improvement are set out in the ‘Care Matters’ White Paper and Options for Excellence. DCSF has also built upon this analysis through the Children with Complex Needs Review which has made recommendations on commissioning and procurement, ContactPoint, and improvements to the workforce.

Procurement and Commissioning

- E.17 DCSF’s aim is to radically improve care placements by:
- Encouraging the development of councils’ role as commissioner of services to enable them to choose the best value for money provider by cost and outcome;
 - Funding some pilot regional commissioning units to secure better value for money and introduce placement choice for children;
 - Improving recruitment and training of foster carers and reducing the number of children in care homes;
 - Increasing the supply of foster placements for the children with more severe difficulties, who are often currently allocated residential places through the development of multi-dimensional treatment foster care;
 - Extending use of family support (Family Group Conferencing, Functional Family Therapy Pilots, Training on Emotional Abuse);
 - Supporting 60 authorities to improve commissioning and procurement practices through the CPP and other regional networks;
 - Working with the RIEPs and Government Offices to ensure good practice is spread across all authorities;

- More short breaks for families of disabled children which will increase the time these families can spend with each other or to recuperate from caring responsibilities, thus increasing their ability to sustain caring over time and reducing numbers having to enter very expensive residential care; and
- Guidance on market management for Looked After Children placements to be issued by DCSF.

E.18 Drawing on best practice examples gained from CPP visits, DCSF has published a series of influential reports on the operation of key children's services markets, as well as a discussion paper which outlines the high level skills that would be expected of a professional commissioning workforce.

E.19 Commissioning is of one of five key areas of activity included in 'Options for Excellence'. The DCSF is supporting the work of the Children's Workforce Development Council and Skills for Care to develop a set of national occupational standards for commissioning across social care.

ContactPoint

E.20 This project, due to be completed by 2008-09, will enable practitioners delivering services to children to identify and contact one another easily and quickly, so they can share relevant information about children who need services, leading to more effective prevention; faster intervention before problems become serious; and improved service experience for children, young people and families.

Workforce – Options for Excellence

E.21 The aim is to drive up standards in children's services by improved recruitment and retention in the children's workforce; ensuring those that work with children are appropriately skilled, trained and qualified; promoting improved career opportunities; and reduced reliance on high-cost agency staff. The Review's proposals include actions to be taken forward in the short-term in 2007 and 2008 and also options for longer-term action up to 2020.

Youth

E.22 Case study evidence, qualitative research, and analysis of the existing delivery chain for youth support suggests substantial scope for improvements from better integration of youth services through:

- Rationalisation of senior and middle management posts alongside smaller efficiencies from capital, administration and consumable goods;
- Frontline efficiencies as multi-disciplinary and lead professional models of working are implemented. In particular there is potential for integrating the senior management structure for youth services, youth offending and leaving care services;
- Better procurement and commissioning. The RIEPs and the Centre of Procurement Performance will be working with councils to improve commissioning; and
- Co-location of services for Connexions and Youth Services.

- E.23 The intention is to cash the efficiency gains at DCSF level on all the money paid by grants, prior to issuing the grants.

Sure Start

- E.24 Over the CSR07 period, all councils will gain experience, supported by guidance from the Department and working with its delivery agents “Together for Children” of delivering Sure Start, extended schools and childcare services in a more cost-effective manner.
- E.25 This system will be underpinned by Children’s Centre Practice Guidance that will draw on lessons from Sure Start Local Programme (SSLP) evaluation; by new performance management arrangements that will identify areas of strength and weakness, including on the use of resources, to improve children’s centres practice; and by core requirements for children’s centres in disadvantaged areas based on evidence of what works.
- E.26 The growth in the number of children’s centres (2,500 in place by 2008 rising to 3,500 by 2010), many co-located with schools, will allow greater economies of scale. Efficiencies will follow from:
- Economies of scale across children’s centres through sharing of expert staff such as financial, IT, legal and HR services;
 - Sharing of staff and facilities between children’s centres and schools which are co-located;
 - More efficient procurement of products and services by councils rather than by individual centres;
 - Provision of central tools to improve efficiency of carrying out activities such as the childcare assessment and sufficiency duties;
 - “Together for children” a new field force established by the Department will be working with authorities to share good practice and will be developing toolkits for improving effectiveness; and
 - Benchmarking the cost of services, such as workforce training and information provision.
- E.27 DCSF recognises that boundaries between organisations are sometimes hard to overcome. Its guidance emphasises the importance of reducing barriers between agencies or schools and children’s centres, with work being undertaken to bed down Children’s Trust arrangements.

Non Schools Efficiency

- E.28 Various areas identified below were targeted by councils to deliver efficiency gains in their 2005-06 Backward Look efficiency statement. DCSF will work with CPP and RIEPs to support further efficiencies:

- Transport, both home to school and the transportation of pupils with special educational needs. CPP and RIEPs are undertaking work in this area to facilitate further gains for authorities;
- Improvements in data management procedures. Councils are just starting to move over to data warehousing services where all data is held by a central team who can manipulate it for all users needs;
- Strategic restructuring; rationalising senior management teams and administration processes and associated support;
- More efficient use of outdoor activity centres;
- Improved admissions process; and
- Better absence management of staff.

E.29 Dugald Sandeman is the SRO for the Non-Schools Education part of the programme, who reports to the Departmental Board through the Efficiency and Reform Board.

Culture and Sport

E.30 Councils spend approximately £3.2 billion per annum on culture and leisure services, half of which is accounted for by library services (£934m) and sport (£735m). The other half of total spend provides a wide range of leisure services including direct grants to local cultural organizations. DCMS provides no funding to local authority culture and sport services (with the exception of £130m PFI credits in SR04). Apart from library services, all local cultural services are discretionary.

E.31 A key way to achieve future improvements to sport and leisure services will be from rationalisation and greater efficiency of existing stock – through councils recognising the need to ‘invest to save’ on their current ageing, inefficient facilities.

E.32 For libraries, stock procurement is a significant area of expenditure, both in terms of the commodity spend on books and other materials, as well as levels of staff input into the procurement process. A study by the Museums, Libraries and Archives council (MLA) estimates scope for up to £22 million gains per annum through market reform, development of shared bibliographic services arrangements, streamlining and standardising processing, and full use of ICT to automate transactions. The MLA has developed a work programme to achieve improvements, and a first stage of implementation is planned for June 2008.

E.33 More generally, the MLA aim to use the Framework for the Future 10 year strategy to support actions on efficiency. The MLA is shortly to go out to consultation on a refresh of the Framework, which will then lead to a revised action plan for 2008-11. Framework for the Future has already achieved some considerable efficiencies for public libraries, e.g. through the Reference Online procurement of electronic resources which has realised £3.5 million gains.

- E.34 By developing and applying national programmes such as Vital Link (developing adult literacy) or the Summer Reading Challenge (which engages children and young people in reading activities over the summer holiday), individual authorities are saved the expenditure of devising and implementing their own programme.
- E.35 The IDeA Cultural Improvement Unit was established in May 2005 to help support the cultural sector improve the services provided to people through local government through:
- Creating and maintaining tools which help the sector to manage performance and drive improvement;
 - Working with others to ensure that authorities with poor or weak cultural services have access to assistance to help them improve;
 - Identifying and marketing good practice to all councils.
- E.36 Recent consultation with some local authorities on efficiency and the key themes in the local government white paper suggests some scope for increasing efficiency through more effective work with the voluntary sector, more extensive use of joint partnerships and enhanced cross boundary working. This is backed up in a recent report by the Audit Commission, which recommended that councils improve the strategic planning of sports by more robust assessment of needs, appraising a wider set of options, including greater collaboration with the private, voluntary, health and education sectors.

Environment

- E.37 This section documents Defra's consideration of council spending in areas where Defra has policy responsibility, in particular: Waste, Street Cleansing, Flood and Coastal Defence.

Street cleanliness

- E.38 Defra's independent review has concluded that there is little scope for cash-releasing gains. Rather, evidence from consultancy studies is that the potential lies in non-cash-releasing efficiencies. The key to achieving this is from the adoption of more systematic management practices in this service area. The Clean Neighbourhood & Environment Act 2005 contains a range of measures, many of which assist councils in dealing with common cleansing and environmental management problems. Building on this, Defra will:
- Continue to commission an annual survey on street cleanliness, and will fund an independent benchmark report for every unitary and district council by spring 2008, enabling councils to better target their service provision;
 - Offer direct support to those councils which significantly underperform on the relevant national benchmarks. The local environmental quality team will also continue to commission seminars and other means to propagate good local environmental management practices; and

- Support the development of a National Local Environmental Management Skills Framework³⁹. An initial framework offering of suitable skills development and training courses will be available early in 2007/08, and then progressively refined, expanded and promoted.

Waste Management

- E.39 The main element of spend by councils in areas of Defra policy responsibility relates to waste management. It is expected that spend will be of the order of £2.8 billion in 2007-08.
- E.40 Substantial gains have already been achieved. Measures for further progress have been grouped into the areas listed below. No single reform measure is likely to be consistently effective in isolation; an integrated approach is essential. The seven efficiency themes are outlined in more detail below:
- Procurement of large scale waste recycling, treatment and disposal infrastructure projects – Defra’s Waste Infrastructure Delivery Programme (WIDP) will speed-up the construction of new disposal infrastructure, and help meet landfill targets.
 - Procurement of waste collection contracts – Waste collection authorities working together can save money by sharing the cost of procurement, collaborating in their operation of waste collection and by implementing common collection systems which best match the disposal technologies used by their Waste Disposal Authority.
 - Procurement of goods and services – The use of framework contracts, e-procurement and combined purchasing power of regional or sub-regional collaborations will support the delivery of gains identified under the first two categories. Further potential gains have been identified in the procurement of wheelie bins, collection vehicles and communications materials.
 - Service delivery – Once the right collection system is in place, WRAP will provide general guidance and tailored support to individual councils on streamlining the collection process.
 - Influencing waste arisings – The aim is to minimise waste through measures such as public engagement, increased home composting, the possible introduction of variable charging and other incentives to householders and the potential further moves by councils to alternate weekly collections.
 - Improving skills, knowledge and awareness within councils – To develop the waste management workforce, increased communication between local authority staff to share good practice and experience will be encouraged in all areas. The Waste Information Network (WIN) will act as a one-stop shop for information on waste management. Defra also aims to improve market information surrounding the Local Authority Trading Scheme (LATS) to enable better decision making and improvement to the overall efficiency of LATS trading.

³⁹ Available at: www.localenvironmentskills.org

- Making the most of the products of waste management – Efficiencies will be achieved through setting product standards, new market making, improving market knowledge, encouraging collaborative selling and improving contract negotiation skills in councils.

E.41 Implementation of the efficiency measures will be largely led by:

- WIDP (a partnership between Defra, 4ps and Partnerships UK) concentrating on the procurement of large scale disposal infrastructure through PFI and under funding mechanisms,
- the RIEPs leading on the remaining aspects of procurement; and
- WRAP providing their expertise on waste minimisation, recycling and waste collection operations.

E.42 The programme will be managed within the Waste Implementation Programme continuing the existing programme management arrangements.

E.43 It is currently envisaged that a comprehensive menu of reform measures will be produced for councils including details on how achieve and record efficiencies, who to go to for advice and with a case study example of a council that has already implemented the specific measure with the gains they achieved.

Local Transport

E.44 Local authority transport includes provision, management and maintenance of transport infrastructure and procurement of public transport services. These often depend on capital investment and require long term planning. During 2006-07 there has been a Zero Based Review of local highway maintenance and a review of bus subsidy.

Local authority highway maintenance

E.45 In 2000 the Transport Ten Year Plan set targets of halting local road deterioration by 2004, and eliminating the backlogs in carriageways, footways, bridges, and street lighting maintenance by 2011. The 2005 National Road Maintenance Condition survey published in April 2006 showed that the first of these objectives had been broadly met, though elimination of backlogs still remains a substantial challenge.

E.46 Joint working between the Highways Agency, Department for Transport and RIEPs will act to:

- Encourage new forms of procurement, including renewal of maintenance contracts to new partnership style, combining several activities in one contract; collaboration with other councils and the Highways Agency; extension of smarter purchasing and use of purchasing organisations for materials needed for highways services.
- Develop and implement a communications strategy to persuade councils of the merits of collaboration and illustrate the importance of the road network within the asset base of councils;

- Enhance understanding of ways to enhance roads efficiency by promulgating research and best practice, developing a training programme for senior council Highway officers, and work with the UK Road Liaison Group to foster collaboration.

E.47 An established PFI programme for street lighting and pathfinder projects for maintenance will also enable gains particularly as a result of the private sector's ability to plan long term. Other possible ideas in this area are:

- Reduction of the connection costs for street lighting (energy utility companies have a monopoly over connections and charge significant sums for this work), through action by the OFT;
- Extra payments from utilities in respect of damage to road surfaces; and
- Reduction in lighting levels or turning some lights off at certain times (though this would need very careful consideration to take into account any impact on crime or night time road accidents).

E.48 The Highways Efficiency Liaison Group consists of representatives of the profession, councils, stakeholders, government and industry. This group steers the delivery of their strategy for achieving efficiency gains from collaborative roads procurement. This group will continue its role of advocating long term culture change in procurement practices, spreading best practice and fostering collaboration in CSR07.

Bus subsidy

E.49 The Bus Subsidy Review is examining support to councils in respect of bus services paid through RSG, together with subsidy paid by DfT both to councils and directly to bus operators.

E.50 Draft legislation, the Local Transport Bill, has been introduced to offer authorities greater choice on the ways in which they procure bus services, and to improve the performance framework within which buses operate. These proposals are currently expected to be broadly cost-neutral in the CSR07 period, however they should achieve better value for money in the longer term.

E.51 Key projects are underway by Department for Transport and the RIEPs to:

- Reduce bus operating costs, by increasing bus productivity through the effectiveness of network design. The research will identify best value bus passenger and traffic management measures to assist reliability and vehicle productivity. The results will feed into the Quality Partnership models (voluntary and statutory) of the local authority/bus operator relationship; and
- Enhance efficiency in procurement of bus and taxi services. Further work will be undertaken to disseminate best practice in bus procurement and examination of e-tendering methods.

E.52 A recent development is that the statutory concessionary fares scheme is being improved further from April 2008 with extension of free off-peak local bus travel from within local authority areas to anywhere in England. There are acknowledged problems with existing arrangements, in particular the way in which bus operators are reimbursed for carrying concessionary passengers. DfT is working with operators and councils on the best way to deliver the improved concessionary travel entitlement.

Integrated transport block

E.53 Transport funding supports a wide variety of investment and services, ranging from capital investment in new infrastructure to the provision of traffic management and advice on road safety and green travel.

E.54 Evidence, adduced by Eddington, suggests that small investment schemes such as those funded through the Integrated Transport block can offer very high value for money. However, work being done jointly with the North West RCE shows that there is scope for further gains to be made, though they may require longer lead times and structural change to be fully effective.

E.55 Tackling these issues will mean authorities become more experienced, willing and capable of adopting innovative approaches to transport delivery; they may also benefit other local authority service areas such as health and education rather than the transport sector directly.

E.56 Improvements are expected to be achieved through implementation and development of the current non-roads local transport efficiency programme, a joint collaboration between DfT and the RIEPs. Its projects – some of which are highlighted for potential early delivery; others having longer term impacts – include:

- Better integration of local transport provision with health and social needs transport, to reduce duplication of activities; and
- Changes to the way authorities deliver school transport, a joint project with DCSF which will examine the opportunities for integration of the management, organisation and procurement of social services and school transport.

E.57 Work is also underway to strengthen dissemination of good practice. DfT's actions include publication of case studies found in Local Transport Plans; financial support to LTP-net, which is hosted by Buckinghamshire County Council and a well-used source of advice best practice guidance on local transport planning; and work with the Innovation Forum on a number of pilot projects.

E.58 A well-established Non-Roads Local Authority Spending Efficiency Board chaired by DfT meets to monitor progress against targets and assess delivery of projects. In addition, the North West RCE has regular efficiency Steering Group meetings that monitor progress against an RCE Action Plan.

Major capital schemes

- E.59 Funds for major schemes, generally those over £5m, are awarded only after detailed evaluation of projects. The introduction of regional funding allocations for Highways Agency schemes on roads of regional importance and local authority major schemes now provides a clear budget constraint to ensure that funds are being allocated to the highest priority projects. For example, in the North West region, there were 100 projects seeking funding, of which only 25 were prioritised, with an average monetised BCR of 3.6.
- E.60 A major benefit of the new process is that councils now have a much clearer view of which schemes are likely to get funded, and can therefore avoid abortive costs in scheme preparation.

Social Housing, Planning and Communities

- E.61 The Department for Communities and Local Government has responsibility for housing, planning, communities and neighbourhoods, as well as the cross-cutting theme of corporate and democratic core. Potential efficiencies from these areas are set out below.

Communities and Neighbourhoods

- E.62 Community Development, Neighbourhood Renewal Fund and Safer Stronger Communities Fund are considered in turn.

Community Development

- E.63 Local government has a major role in community development and community capacity building (both as an employer and funder of the voluntary and community sector). Research undertaken by a cross-sector group highlighted a series of issues. Provision lacks coordination, with nobody holding the ring; while short-term funding leads to poorly-planned provision.
- E.64 The Local Government White Paper highlights actions to redress these problems and so achieve enhanced efficiency:
- Better alignment and co-ordination between statutory and Voluntary and Community Sector capacity building efforts through Local Strategic Partnerships (LSP);
 - Strengthened capacity of councils and local councillors to work on community development as part of the NIES;
 - A strategic approach to community development operating across each local area.

Neighbourhood Renewal Fund (NRF)

- E.65 During the SR04 period, the NRF has provided £525m a year to the 86 most deprived councils in England to improve public services in deprived neighbourhoods by encouraging coordinated interventions. From April 2007 it has been pooled in the Local Area Agreement (LAA).
- E.66 Neighbourhood renewal has a particular focus on the six key themes of crime, housing, worklessness, education, health and liveability. NRF is used most effectively by LSPs where there are strategic programmes addressing local needs, clear links to floor targets, a focus on re-shaping services and influencing the mainstream and evidence-based design and evaluation. During SR04, the Department has developed a programme to support and incentivise LSPs to ensure that these success factors are in place.
- E.67 There is scope for further efficiency gains by rolling this broad approach into the CSR07 period. A continuing programme to support LSP performance should enable significant cash-releasing efficiencies.
- E.68 The future of the Neighbourhood Renewal Fund beyond March 2008 was examined in the policy review of Sub-National Economic Development and Regeneration (SNR). A series of propositions for NRF are being developed which are designed to increase its effectiveness and deliver better value for money. These include focusing NRF on fewer areas, and seeking a greater focus for NRF on particular floor targets.

Safer & Stronger Communities Fund (SSCF)

- E.69 Neighbourhood Management Pathfinders (NMP) operates as a 7 year programme to support better outcomes for people living in deprived areas by making services more responsive and accessible to communities through joining-up service providers.
- E.70 NMP builds awareness of the benefits of neighbourhood management approach and enhances identification and dissemination of good practice. It strengthens the role of the local community, engaging them in working with the local authority and partners to design and secure improvements in services.
- E.71 The programme has been successful in demonstrating the value of the neighbourhood management approach and in disseminating good practice. However, given the progress made to date in encouraging mainstream services to focus on deprived areas, the Department will be able to make further allocative efficiencies.
- E.72 These further gains will be achieved by narrowing the focus of the fund over time to target a small number of the most deprived areas. An improved, focused allocation for the NRF will be complemented by an enhanced performance reward grant in which rewards are directed at authorities which meet performance in the most deprived neighbourhoods.

Homelessness

- E.73 Homelessness grant to councils supports their strategies which include measures that help prevent homelessness, by reducing the demand for temporary accommodation or social rented housing. Funds are used to:
- Staff local authority homelessness services or contracting out these services, to fulfil statutory duty to provide advice and guidance on preventing homelessness;
 - Target prevention activities, including mediation to prevent family/ relationship breakdown (responsible for 43% of new homelessness cases).
- E.74 Since the beginning of 2004 – six months after homelessness prevention strategies were in place – there has been a continuing downward trend in homelessness acceptances. New cases of homelessness (acceptances) have fallen from 120,860 in 2004-05 to 73,360 in 2006-07.
- E.75 The Department assesses that the rate of fall in homelessness acceptances will moderate and it is assumed that annual reductions from prevention measures will level off to about 5% per annum from 2007-08 onwards.
- E.76 The Department plans for continued implementation of the homelessness strategy undertaken in SR04. Its continued success will, however be contingent upon continued Supporting People funding for housing related support which ensures that vulnerable groups are helped to sustain a tenancy.

Planning

- E.77 The planning system manages one of England's most important and finite assets, its land. It has an indirect but profound influence on the location, quality and outcomes from both public and private sector investment in infrastructure, new development and regeneration.
- E.78 The Planning and Compulsory Purchase Act 2004 promotes greater integration of public and private sector strategies at local level, to enhance sustainable development. Applications are now more easily decided and evidenced in the context of a robust, up to date Development Plan Document. Strongly promoted by Planning Development Grant, dramatic improvements have been seen in councils' performance in handling planning applications.
- E.79 Standards were set to be met by 31 March 2007 (60% of major applications to be dealt with within 13 weeks, 65% of minor and 85% of other applications within 8 weeks). Two years ago only 20% of authorities were meeting the targets. This has now tripled; the first sustained improvement for 10 years.
- E.80 Councils are pressing ahead with the use of e-enabled processes, leading a customer service cultural revolution. A recent e-planning study⁴¹ identified a number of ways that e-enabled planning services could yield further efficiencies for applicants, Local Planning Authorities (LPA) and consultees. The Department will facilitate these through the Planning Advisory Service (PAS), operated within the Improvement and Development Agency (IDeA).

⁴¹ *The Benefits Case for Delivering E-Enabled Planning Applications* (KPMG, 2005)

- E.81 PAS is a very effective tool in improving the delivery and performance of local planning authorities, advising them on how to restructure their processes and operations to handle planning applications, helping them to meet development control targets, and identifying and promulgating best practice in the implementation of the new planning system.
- E.82 Some authorities, such as those in North Northamptonshire and Hampshire, are beginning to explore scope for pooling resources. The Department will support development of such initiatives and promote their take-up more widely, through the PAS and where appropriate the e-planning programme.
- E.83 Despite the tremendous progress made by LPAs in re-designing their business processes for development management and re-equipping themselves to deliver an effective planning service, there is still much to do.
- E.84 Central to this process is creating a joined up process between applicant, LPA and statutory consultee, to fully release the potential for efficiency gains from processing applications electronically, either by e-enabling plan-making, or by sharing processing of applications.
- E.85 In addition, looking at a longer timescale, the Barker Review recommended a series of measures to reduce the work councils are required to carry out directly. The Government published its response in May in the White Paper Planning for a Sustainable Future. This sets out a range of actions which, subject to consultation where appropriate, will be taken forward in the next 3 years. These include:
- A review of the national planning policy framework;
 - Measures to allow a more tailored approach to plan making;
 - Reducing the number of minor applications;
 - Streamlining the planning application process;
 - Improving the appeals process; and
 - Further measures to build skills and capacity.

Supporting People

- E.86 The Department has appointed an external expert to its Supporting People team who is working with a wide-ranging project board (including representatives from DH, the LGA, RIEPs, the National Housing Federation, and housing & third sector organisations) to identify how best to support councils in enhancing efficiency. This builds on two earlier workstreams:
- Service Reviews during 2003-04 to 2005-06. These were the principal mechanism by which authorities achieved £345 million efficiencies across the first five years of the programme. They helped develop core skills and understanding in both local and central government.

- 11 Value Improvement Projects undertaken during the SR04 period. These demonstrated that, through projects focused on improving commissioning and procurement and on improving service design and configuration, councils are able to make efficiency gains and improvements whilst also improving or maintaining quality and outcomes.

E.87 The project board is currently scoping the most effective future approach to delivering Supporting People gains through the RIEPs and the NIES, including:

- Encouraging and supporting local, sub-regional and regional projects;
- Providing critical challenge within the formulation of the projects; and
- Providing support and coordination where authorities are undertaking joint or similar projects.

E.88 The Department will make a three-year Supporting People grant announcement alongside the post-CSR07 local government finance settlement. In doing so, appropriate allowance will be made for levels of need and deliverability. The announcement will provide clear visibility of funds and required efficiencies as an important step to better medium term planning.

E.89 The Department will work through national umbrella organisations (e.g. National Housing Federation, SITRA) to build capacity in providers, looking in particular at ways to capture synergies on Third Sector delivery, such as consortia building.

E.90 In addition, joint work with Department of Health has been initiated to identify potential opportunities for value for money improvements in the interface between social care and Supporting People contracts.

Corporate and democratic core

E.91 The business process improvement and shared service techniques outlined in earlier chapters offer similar opportunities for efficiency gains as have been achieved in the current spending review period.

Housing

E.92 The following paragraphs consider potential efficiencies resulting in respect of the Decent Homes programme; Major Repairs Allowance; and Miscellaneous Housing spend.

Decent Homes – social sector

E.93 There are around 4 million social homes, worth around £400 billion. In 1997, there were 2.1 million social homes that were not decent. Local authority homes needed more than £19 billion worth of repairs and maintenance to bring them up to a decent standard. At April 2006, councils and Registered Social Landlords (RSL) reported that they still owned 976,000 non decent homes, which is a 41% reduction on the 2001 baseline.

- E.94 Collective procurement can secure big efficiency gains. The Department's Efficiency Challenge Fund provides financial support to social landlords to help establish local procurement consortia. It is administered by a National Change Agent, Davis Langdon with Trowers & Hamlins. The emphasis is on long term framework contracts which provide more stability and avoid upward pressure on prices through peaks in demand. The programme aims to double the number of homes covered by consortia by the end of 2007-08 to approximately 1.5 million, representing over one third of all social homes.
- E.95 In addition, work is underway to establish whether councils who are freed from the constraints of the HRA subsidy system would be able to operate more efficiently by having greater control over their income streams and planning with greater stability. If the current modelling exercise demonstrates potential benefits and affordability, then Ministers may wish to allow some authorities to become self financing over the CSR07 period.
- E.96 The proposed new housing and regeneration agency will play a key role in working with selected authorities to support estate transformation programmes and help deliver mixed communities. Through levering in private finance and ensuring that all other programmes and services are effectively aligned this will deliver more sustainable outcomes on particular estates and will help deliver efficiency gains.
- E.97 When councils have been awarded places on the PFI programme, they are allocated caseworkers from the Housing PFI team who work with them, offering guidance, support and challenge, in the development of their proposals. Progress is monitored against milestones, via monthly monitoring forms and regular meetings.

Decent Homes – private sector

- E.98 Good progress has been made towards achieving the private sector decent homes target to increase the proportion of vulnerable households in private housing who live in decent homes on a year by year basis. The target percentage figure nationally has increased from 42.9% in 1996 to 66% in 2005.
- E.99 Councils have wide discretion on what forms of assistance they offer to private sector homeowners to make their homes decent. The Department's guidance urges councils to consider loan finance support rather than grants (although it is recognised that for small packages of assistance or in particular cases of hardship, grant assistance may still be necessary).
- E.100 Many local authorities have switched from grant support to loans and the expectation is that councils should maximise outputs (in terms of the number of vulnerable people they are assisting) from their available resources.
- E.101 In terms of local authority financed loans schemes, we do not wish to constrain innovation and development by being overly prescriptive in terms of how schemes should operate. Such loans schemes would not necessarily operate within a single Government Office geographic region. Any loans scheme receiving public funding should have the objective of achieving sufficient volume and scale to demonstrate long-term sustainability with reduced reliance on public sector funding within the CSR07 period.

Miscellaneous housing spend – Other GFRA Housing Services

E.102 This spending area consists of a large number of smaller, somewhat disparate, spending areas varying from housing strategy and advice to slum clearance and travellers' sites. The Department believes councils can make progress using the cross-cutting approaches identified in the Local Government White Paper.

Benefits Administration

E.103 Housing and Council Tax Benefit (HB and CTB) are the main focus for efficiencies in this area because they cost councils approximately £800m a year to administer. Councils are free to fund and manage the service as they wish within regulations laid down by the Department for Work and Pensions (DWP). Costs are partly financed by the administration subsidy that DWP pays to councils, and partly by councils themselves.

E.104 The subsidy payable to councils for HB and CTB administration over the CSR07 period will take account of the overall improvements in efficiency that councils will be expected to deliver and the additional efficiency measures that DWP will initiate.

E.105 DWP will act to reduce councils' workloads, either by its agencies undertaking additional work, or by enhancing local authority capacity to make use of more advanced technology and streamlined working arrangements. Typically, such measures involve improvements to processes so have no implications for benefit expenditure (other than potentially helping to reduce fraud and error).

E.106 DWP has a programme of work that will result in its agencies gathering more information for HB and CTB purposes, verifying that information, and then passing it to councils electronically in a way that allows it to be downloaded straight into local authority IT systems without expensive re-keying. This would apply where there is a linked claim for Income Support, Jobseeker's Allowance or Pension Credit.

E.107 In moving towards this ultimate goal, DWP will build on its success in transforming the way data is passed from it to councils by extending this new web-based technology to include more data. This, and other initiatives, such as reliance on Government Connect, will contribute to the potential efficiencies achievable.

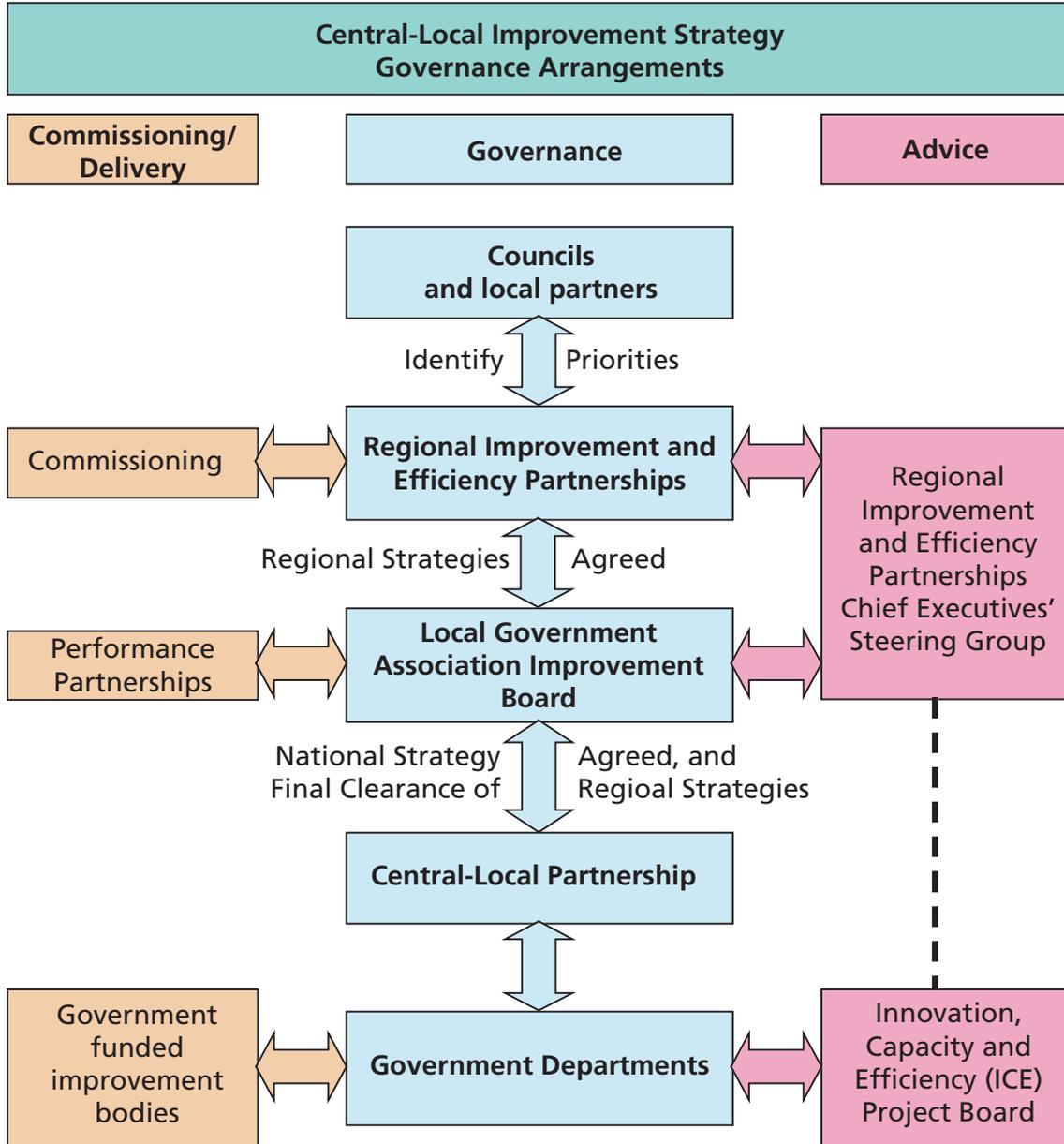
E.108 DWP will also work in partnership with the Department for Communities and Local Government and devolved administrations to help councils deliver their own efficiencies in HB/CTB administration. Options for authorities include sharing services, relocation, partnership working with the private sector and business process re-engineering.

E.109 It is recognised that there is no one size fits all solution for 408 autonomous local authorities and that central government cannot dictate how they should go about achieving the required efficiencies. But DWP will offer help and advice to spread good practice as widely as possible, including through its Performance Development Team (PDT) which is a free consultancy service.

E.110 PDT will play a greater role in helping authorities deliver value for money improvements in their benefit services. It will strive to widen its coverage to ensure the greatest number of authorities benefit from its work. It will work with groups of authorities either in leading on the dissemination of good practice or facilitating better performing authorities to support and mentor others.

Annex F: Governance of improvement and efficiency

F.1 The diagram below illustrated the governance arrangements that will be in place to develop and carry forward the implementation of the strategies to help councils deliver improvements in service quality and value for money.



F.2 A cross-departmental group, the Innovation, Capacity and Efficiency project board (ICE), brings together central and local government representatives. It is chaired by Joyce Redfearn, Chief Executive of Wigan Council, and has direct oversight of progress on the agenda. ICE, in turn, reports to the Local Performance and Delivery programme board⁴².

⁴² The programme board has six constituent project boards beneath it, namely: Innovation, Capacity and Efficiency; Designing New LAAs; Running LAAs; Assessment, Inspection and Review; Outcomes, Indicators and Targets; and Governance and Partnerships.

- F.3 The governance structure for cross-local government change agents will utilise the arrangements agreed as part of the National Improvement & Efficiency Strategy. Currently, it is envisaged that there will be a:
- National Improvement Board agreeing priorities and objectives; and
 - National Executive Group, co-ordinating the activities of the regional improvement partners.
- F.4 In addition, the Department will act to facilitate and shape:
- Cross-departmental capacity and efficiency policy reforms through the Innovation, Capacity and Efficiency project board;
 - Policy proposals to enhance effective working in Local Area Agreements (LAAs), Local Strategic Partnerships (LSPs) and Multi-Area Agreements (MAAs) through sister project boards to ICE – in particular, the Designing LAAs project board.
- F.5 Central government departments have a key role to play in supporting sectors where they have policy responsibility. Departments' actions are integrated into this Plan, and each department has a Senior Responsible Owner and project manager for its sector programme.
- F.6 Progress on the efficiency target will be overseen by HM Treasury, who will offer challenge to ICE, the Programme Board, and individual departments proportionate to the degree of risk associated with achieving the proposed efficiency gains.
- F.7 Barry Quirk, Chief Executive of the London Borough of Lewisham, is the Local Government 'Efficiency Champion'. He works closely with the Department to promote an understanding of, and commitment to, the efficiency agenda by councils, and provides advice to the Department on its actions to promote efficiency.

Service Transformation

- F.8 A further important part of the governance structure relates to service transformation – overseeing and facilitating progress on the Service Transformation Agreement. A Local Government Delivery Council (LGDC), bringing together representatives from local and central government, has this task, with the objective to “support local government in working with central government to deliver services which are better for citizens, better for staff and better for the taxpayer”.
- F.9 The LGDC will have a crucial role in influencing and shaping the sector's role in the transformational agenda and, by providing a forum where existing activity around transformation can be brought together and monitored, it will contribute to the overall coordination of the improvement architecture within the sector. By helping to share information and practice, the LGDC will also enhance local government's own capacity to manage change and improvement. The key deliverables for the group are:
- To work with key stakeholders including LGA, Communities and Local Government and Cabinet Office to jointly develop and agree the vision and work programme for Transformational Government in the CRS07 period;

- To promote the adoption of transformation policies and projects by councils, highlighting emerging good practice and opportunities for the sector to contribute to this agenda including developing benchmarking to help drive sustainable improvement;
- To coordinate the activities of the principal local government agencies including the LGA, IDeA, 4Ps and other members of the local government 'family' (including key professional institutes) around transformation;
- To highlight and share emerging good practice, raise problems and issues and identify gaps in capacity which impact on the delivery of service transformation from a local government perspective;
- To coordinate the links with other key agencies around local government transformation, including Communities and Local Government, Cabinet Office, Treasury, OGC and regulatory and inspection bodies such as the Audit Commission;
- To advise on the assignment of leadership of projects involving cross-government transformation to specific councils and other agencies and on the commissioning of research or support for local service transformation; and
- To act as a point of reference and to offer input to such initiatives e.g. the 'Tell us once' project as they develop.

Annex G: Risk register

G.1 The table below sets out the initial assessment of the main risks to the delivery of further value for money gains by councils on the scale expected. It is based on consultation through the Cross Departmental Review Group, which contains representation from the local government sector as well as central government officials.

Risk Description	Actions Taken to Reduce Risk	Likelihood	Impact	Mitigation Measures
1. Programme management				
1.1 Suppliers in private or third sectors do not understand aims of agenda	Workstream steering groups to consider any issues arising.	M	M	Promote key messages of efficiency agenda through the relevant channels to reach the appropriate sector so that suppliers understand the environment they are operating in.
1.2 Different priorities and risks for local and central government in delivering efficiencies not recognised	Local government representatives involved in management of the efficiency agenda.	M	M	Improve two-way communications with local government, and make more use of facilities offered by the RIEPs, to ensure that development of policy recognises different viewpoints.
2. Communications				
2.1 Local authority elected members fail to be engaged by the efficiency agenda	LGA has a member task group to look at key issues and has held events with efficiency member champions over the last year.	M	H	Work with LGA and RIEPs to ensure continued member engagement by identifying problem areas and new ways to meet the challenge.
2.2 Local authority Heads of Service and their staff are not engaged by the efficiency agenda	Increasing activity aimed at service heads and staff being undertaken to show how efficiency about improvements in service quality.	M	H	Improve communications through sector publications and other existing, respected routes, to demonstrate how efficiency and service improvement linked.

Risk Description	Actions Taken to Reduce Risk	Likelihood	Impact	Mitigation Measures
3. Local Authority delivery				
3.1 Some local authorities do not have resources to identify opportunities for efficiencies	Working with stakeholders to spread good practice & case study examples of what achieved elsewhere.	M	H	Work with relevant Regional Partnership to see what support can be given to authorities with particular resource difficulties.
3.2 Some local authorities do not have resources to implement efficiencies, e.g. HR capability	Working with stakeholders to spread good practice & case study examples of what achieved elsewhere.	M	H	Work with relevant Regional Partnership to see what support can be given to authorities with particular resource difficulties.
3.3 Some local authority finance divisions drive response to agenda without fully integrated input from service sectors	Increasing activity aimed at service heads and staff being undertaken. Encouraging best practice through new checklist in guidance.	H	M	Work with RIEPs and other stakeholders to disseminate best practice about the preparation of statements and development of strategies to obtain efficiency gains. Improve communications to service heads to ensure they are engaged.