



Inclusion of Efficiency Information with Council Tax
Demand Notices:
Consultation



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Foreword

People are rightly expecting more information, consultation, a greater say in decisions and the ability to demand answers or action from public services when things are not right.

At the same time, citizens place a high emphasis on the efficiency and value for money of those services. Councils recognised this and rose to the challenge set for them by the Gershon Review. They have reported forecast figures for cashable efficiency gains of £3.3 bn over the last four years – the equivalent of £123 off the average Band D council tax bill.

But it is vital to maintain a relentless drive for innovation, improvement and efficiency. We expect local government to be able to achieve three per cent efficiency savings each year over the next three years, as with the public sector generally in this spending review period. By doing so, this year, councils will not just have almost £1 bn extra in core grant, but also £1.5 bn on top to invest in better services, or help control council tax pressures.

Without information, citizens cannot be empowered. Taxpayers place great emphasis on getting value for money from local government, and it is right that they are given the data they need to judge progress and to hold councils to account. This consultation paper sets out a proposal to require councils to include standard, simple measures of efficiency performance alongside council tax notices to highlight for each household the real achievement of local government for them – and put that achievement properly into context.

Making best use of the resources and choices available to councils is at the heart of delivering successful public services. I look forward to receiving your responses to this proposal as the empowerment of local people is a subject that is vital to us all.

John Healey
Minister for Local Government

Section 1

Background

Connecting councils and communities

1. Over the past 10 years, councils have demonstrated consistent improvements in the quality of services provided to communities, as evidenced by Best Value Performance Indicators and the Audit Commission's scores for local authorities under Comprehensive Performance Assessment.
2. However, this improvement has not translated into enhanced public satisfaction with councils. The Local Government Association (LGA) also acknowledges that "councils suffer from an image problem", which is why it has launched the *My Council* campaign¹. The campaign intends to increase awareness of the wide range of services delivered by councils and to demonstrate the value for money of their services.
3. Government too is taking action. The recently published White Paper *Communities in control: real people, real power*² commits Government to making timely and relevant information about public services more available to everyone. And it has developed a new performance framework for local government which focuses more on looking outwards to local people, so they have a stronger say in designing and delivering local services.
4. HM Treasury recently launched the prospectus for its Operational Efficiency Programme³, which is intended to inform the Government's value for money framework for the next spending review, and states the principle that "clear and transparent reporting on progress" is required across the public sector "in order to allow Parliament and the public to hold government to account". A major theme of the programme will be to consider the role of local incentives and empowerment in facilitating greater value for money.

¹ www.lga.gov.uk/lga/core/page.do?pageld=325779

² www.communities.gov.uk/communities/communityempowerment/communitiesincontrol

³ www.hm-treasury.gov.uk/documents/public_spending_reporting/vfm/vfm_operational_efficiency.cfm

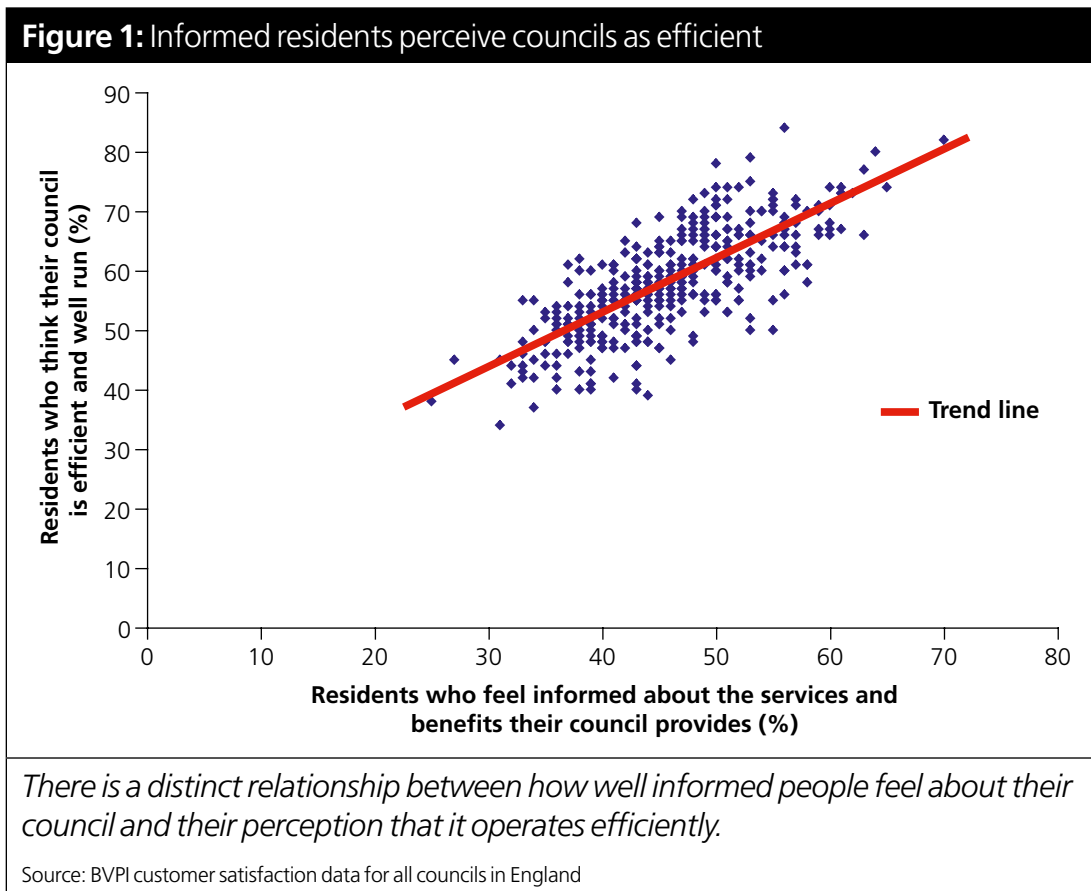
Value for money agenda

5. The 2004 Spending Review (SR04) set all parts of the public sector – including local government – a target to achieve 2.5 per cent per annum efficiency gains. An important achievement was to create a consistent and auditable system for measuring and reporting efficiencies. From 2004-05, councils were required to report their achievement of gains through the Annual Efficiency Statement (AES), which were all published in their entirety on the Department's website.
6. Councils achieved their Gershon target for efficiency gains a year ahead of schedule. When the final value of cash-releasing gains delivered in SRO4 is announced later this year, it is expected to amount to £3.3 bn, over 8 per cent of the baseline expenditure by councils in 2004-05. Local communities have greatly benefited from the consequent ability to redirect resources to the front line and hold down council tax increases – yet councils do not always get public recognition for this achievement.

Definitions of efficiency and value for money

“Efficiency” is defined as achieving the same outputs for less resource (cash-releasing) or additional outputs for the same resource (non-cashable); however all savings reported in CSR07 must be cash-releasing. An action that fully or partially alleviates a cost pressure is countable as a cash-releasing “Value for Money gain”, but an action that frees up cash at the expense of the overall effectiveness of service delivery does not represent an improvement in efficiency, hence is not eligible to be counted as a Value for Money gain.

7. Councils, like other parts of the public sector, will have to continue to meet rising public expectations for local services within a tight fiscal context. The real challenge for greater efficiency in CSR07 will come from local taxpayers and service users. Citizens want to be well-informed about their councils and get good value for money from council tax. Yet in some areas fewer than 40 per cent of residents believe that their council is efficient and well run.



8. In response to this need, Government is considering how best to provide succinct and easily understood information on councils’ efficiency performance directly to members of the public, which they can use to hold their local representatives to account. Options include: improving the accessibility and usability of value for money information available online; publication of league tables; and doing more to showcase achievements of successful councils to the public.
9. A further option, and the subject of this consultation, is to include efficiency information with council tax demand notices (“council tax bills”). This idea was announced by John Healey, Minister for Local Government, during a Local Government Finance debate⁴ in the House of Commons in February 2008:

I want to equip local residents to challenge their council on whether it is running more efficiently, as they have a right to expect. From 2009 information on waste and better working will be set out with council tax bills, so that local people can see what is happening in their council’s search for greater efficiency. I will consult on that later this year.

John Healey, Minister for Local Government

⁴ Column 729, Hansard, 4 February 2008

- 10.** It is important that citizens understand the value for money of their services and the steps which their council is taking to increase their organisational and service delivery efficiency. Providing this information at the same time as the council tax bill makes sense and, indeed, many authorities are already doing so voluntarily and – as a result – in a variety of different ways.
- 11.** Ensuring standardised and comparable information is essential to meeting the objective of improving citizens' understanding of a council's continuing search for efficiency. Knowing what your own council has achieved is interesting but it is not compelling without also knowing how that performance compares with other similar authorities.
- 12.** Where a council can be shown to be performing poorly against national benchmarks then that enables local people to challenge them to step up their focus.
- 13.** Subject to considering the responses to this consultation, we will amend Schedule 1 and/or Schedule 3 to the Council Tax and Non Domestic Rating (Demand Notices) (England) Regulations 2003 to require billing authorities to supply specific efficiency information to council taxpayers on and/or alongside their council tax bill. The nature of that efficiency information is spelt out in detail in the following sections covering options in respect of:

 - Billing authorities and shire counties
 - Fire and rescue authorities
 - Police authorities
- 14.** The proposals should be read in conjunction with The Council Tax and Non Domestic Rating (Demand Notices) (England) Regulations 2003. If the result of this consultation requires any changes to these regulations, then we will seek to ensure that they come into force by 31 December 2008 so that they are in place before the council tax demand notices for 2009-10 are produced.
- 15.** We will provide an explanation of any amendments to the 2003 Regulations. Communities and Local Government will lead on the production of guidance and publish it as a Government document. The exact details of how this would work are under development, but where you have views, it would be useful to provide them at this stage in the consultation process.

Section 2

Options under Consideration – Local Government

16. This section relates to billing authorities and shire counties.
17. As part of the National Indicator Set, all councils need to calculate and report the total net value of ongoing cash-releasing VfM gains they have achieved for National Indicator 179 (NI179). This figure is equivalent to the total cumulative cashable efficiency gains that councils have previously reported through the Annual Efficiency Statement⁵.
18. NI179 forecast data for the current financial year will be reported in October of the same financial year. Out-turn data for the financial year is reported in July of the subsequent financial year. NI179 is subject to a standard national definition (see Annex A). Departures from this standard would make it much harder for citizens to assess the true performance of their council. This consultation outlines ways forward to utilise NI179 to provide five measures of efficiency performance. Key considerations are:
 - Whether the five proposed measures of efficiency performance meet criteria of usefulness to the public and practicability for implementation
 - Whether information should be presented on the face of the council tax bill, or in the information to be supplied with the council tax bill (“council tax leaflet”).

Five measures of efficiency information

19. We propose that up to five measures of standardised information be provided by billing authorities for the taxpayer, either on the face of the council tax bill (except measure E in paragraph 20 below), or in the council tax leaflet. Such information would be provided for all principal local authorities within their area.
20. The five measures are:
 - (A) NI179 forecast for the year prior to the council tax bill for the billing authority and the upper tier authority, where relevant, as of the 2009-10 financial year (eg in 2010-11, councils would report forecast efficiency for 2009-10)

⁵ The full definition of NI179 is included at Annex A. Councils are fully entitled to report the efficiencies achieved by the parish councils within their boundaries (though parish councils are not compelled to collate or provide such information)

- (B) NI179 actual for two years prior for the billing authority and the upper tier authority, where relevant, as of the 2010-11 financial year (eg in 2010-11, councils would report actual efficiency for 2008-09)
- (C) NI179 forecast for the previous year for the billing authority and the upper tier authority, where relevant, both divided by the relevant number of Band D equivalent dwellings⁶ for the previous year, as of the 2009-10 financial year (eg in 2010-11, councils would report efficiencies per Band D equivalent dwellings for 2009-10)
- (D) NI179 forecast for the previous year as a percentage of 2007-08 baseline total spend⁷ for the billing authority and the upper tier authority, where relevant, as of the 2009-10 financial year; and
- (E) (for the accompanying leaflet, and not for the face of the council tax bill) benchmark NI179 per Band D equivalent dwelling⁸, calculated using forecast data from councils of that type⁹ for the previous year for the billing authority and upper tier authority, where relevant. In 2010-11, for example, a London borough would report efficiencies per Band D equivalent dwellings for 2009-10 for London boroughs as a whole.¹⁰ In a two-tier area a billing authority would report average efficiency per Band D equivalent among shire district councils, and average efficiency per Band D equivalent among shire county councils. This would take place as of the 2009-10 financial year.

- 21.** It is also proposed that a footnote be printed by the billing authority in the accompanying council tax leaflet to enhance clarity among the public as to what the efficiencies are used and usable for. The footnote could read along the following lines:

These are the latest estimate of efficiency savings to reduce or hold down the cost of delivering services. Council tax only raises part of the money needed to pay for those services, and the efficiencies cannot all be put towards reducing council tax bills.

- 22.** Measures (A) and (B) are the raw data returns for NI179, but do not by themselves provide a clear connection to impact on individual households or benchmark efficiency performance.
- 23.** Measure (C) provides a clear indicator for the public on what their councils' efficiency performance means for them. It should, however, be noted that those areas that have a higher need and a higher level of resource per household will achieve greater efficiency per household than peers with the same percentage efficiency gains.

⁶ See Annex B for the definition of "Band D" equivalent dwellings

⁷ See Annex C for calculations of baseline expenditure

⁸ See Annex B for the definition of "Band D" equivalent dwellings

⁹ See Annex D for a list of councils by type

¹⁰ We propose that efficiencies achieved by the Greater London Authority would not be included in this process, as it is not covered by the requirement to report on the National Indicator Set.

- 24. Measure (D) puts comparative performance across local authorities on the same basis, though it should be noted that there are potential issues of volatility in baseline (as the measure includes capital expenditure, which is subject to change over the years).
- 25. Measure (E) provides a way for the public to benchmark their councils' performance against appropriate peers, though it should be noted that it is subject to the same caveat as measure (C).
- 26. We welcome responses to the following questions in respect of these measures:

Question 1 – What do you see as the advantages and disadvantages of the inclusion of each of the five measures of efficiency information set out in paragraph 20 above?

Question 2 – What do you see as the advantages and disadvantages of the inclusion in the council tax leaflet of the footnote set out in paragraph 21 above?

Efficiency information on the face of the council tax bill

- 27. Inclusion of efficiency information on the face of the council tax bill would be highly likely to be read by a greater number of people, since not all read the accompanying leaflet.
- 28. However, space on the face of the council tax bill is very limited, and without ability to provide contextual explanation, there is the possibility that the public would have difficulty in interpreting the efficiency information. Some, for example, might believe that efficiencies were fully available to fund reductions in council tax, which is not the case as some expenditure is ring-fenced, while authorities may also be looking to redirect resources released by efficiencies to priority areas. A mock up of how efficiency measures (A) and (C) could be presented on the council tax bill is set out in Figure 2.

Question 3 – Should key efficiency information be provided on the face of the council tax bill? What are the advantages and disadvantages of doing so?

Question 4 – Which of the efficiency measures in paragraph 20 would be most appropriate to include on the face of the council tax bill?

Figure 2: Mock-up of 2009-10 council tax bill

South Wessex District Council

Swan Lane
Long Newton
Old Town

Date

Account Number
Property Reference
Valuation Band EMr & Mrs C Tax
2 Council Street
Somewhere in Wessex
WX7 9BL**Council Tax Bill for 2009-10****The annual council tax for your property band is calculated as follows**

Authority	Amount	% change on previous year
Wessex County Council	£1,280.00	+3.7%
South Wessex District Council	£160.00	+2.9%
Wessex Police Authority	£200.00	+3.5%
Newton Parish	£110.00	+3.9%
Special Expenses	£10.00	+3.6%
Total	£1,760.00	+3.5%

Total council tax payable for period 1 April 2009 to 31 March 2010 £1,763.94**First instalment due on 7 April 2009 £165.00****9 other instalments due on 7 May 2009 to 7 Jan 2010 at the same rate****Final instalment due on 7 February 2010 £110.00**

Instalments can be paid by direct debit

Forecast efficiency savings by authority for period 2008-09

Wessex County Council*	£8,956,000
Wessex Fire and Rescue*	£556,000
South Wessex District Council	£377,500

Forecast efficiency savings per average Band D household for period 2008-09:

Wessex County Council*	£47.60
Wessex Fire and Rescue*	£2.45
South Wessex District Council	£8.23

All billing and shire counties and fire and rescue authorities are required to report efficiency savings. Information on their results can be found on page 23 of the accompanying leaflet.

* Fire and rescue efficiency is reported separately from general council efficiency activity.

29. If the decision is made, following this consultation, to include information on the face of the council tax bill, implementation issues would have to be faced. For example, alterations to council tax bills require amendments to the software packages that generate them, since these are printed on an individual basis to reflect households' circumstances.

Question 5 – We welcome views on the practicability of including efficiency data on the face of the council tax bill for the 2009-10 round.

30. If it is decided to include all or some of the five efficiency measures outlined in paragraph 20 in the council tax leaflet, rather than on the face of the bill, members of the public, in principle, would benefit from the inclusion of a footnote on the face of the council tax bill that pin-pointed the way to the information in the accompanying council tax leaflet. The footnote could read along the following lines:

Billing and major precepting authorities are required to report efficiency savings. Information on their results can be found on page [x] of the accompanying leaflet.

Question 6 – What are the advantages and disadvantages of including such a reference on the face of the council tax bill?

31. If the decision is made, following this consultation, to include such a footnote on the face of the bill, implementation issues would have to be faced for the 2009-10 round.

Question 7 – We welcome views on the practicability of including such a footnote on the face of the council tax bill for the 2009-10 round.

Information in the council tax leaflet

32. Figure 3 provides a mock up of how relevant efficiency measures could be presented in the council tax leaflet. For illustration purposes this mock-up includes the council reporting (on a voluntary basis) some measures already put on the face of the council tax bill.

Figure 3: Mock-up of 2010-11 council tax leaflet**Wessex County, Newton District – Becoming more efficient**

In 2009-10, Wessex County Council planned efficiencies totalling £12.34m, and Newton District Council efficiencies totalling £560,000 – 3.4% and 3.1% of 2007-08 total baseline expenditure. This equates to an efficiency saving of **£65.56** and **£12.13** for each Band D household respectively, which compares with national figures of **£60.04** and **£11.70** for county and district councils. In 2008-09 efficiency savings achieved were £8.96m and £380,000 for Wessex County Council and Newton District Council respectively.

Much of the achieved savings are the result of a major overhaul of Wessex County's Customer Relationship Management system. Undertaken in conjunction with ABCDE corporation, this enabled ...

- 33.** If the decision is made, following this consultation, to include information in the council tax leaflet, implementation issues may be faced. For example, alterations to council tax leaflets may require amendments to graphic design templates used to generate them.

Question 8 – We welcome views on the practicability of including efficiency data in the council tax leaflet for the 2009-10 round.

Section 3

Options under consideration – Fire and Rescue Authorities

- 34.** Most fire and rescue services are overseen by major precepting authorities which make a separate precept on council tax bills. Some, however, are run directly by the relevant upper tier or unitary authority and do not make a separate demand on council taxpayers. In both cases, fire and rescue services are required to make returns on efficiency achievements to the Department through (fire and rescue) Annual Efficiency Statements (see Annex E).
- 35.** The figures that they report for total efficiency are equivalent to NI179 for local government. Consequently, the options outlined in the section above apply equally to Fire and Rescue Authorities.
- 36.** For example, in respect of measure (E), the relevant measure would be assessed as total efficiency forecast for the previous year divided by the number of Band D equivalent dwellings¹¹ for the previous year for Fire and Rescue Authorities as a whole. So in 2010-11, for example, the calculation would be total efficiencies in 2009-10 for Fire and Rescue Services as a whole divided by the total number of Band D equivalent dwellings for 2009-10.
- 37.** We welcome responses to the following issue in respect of providing information on fire and rescue efficiency:

Question 9 – What are the advantages and disadvantages to including the measures set out in paragraph 20, as applied to Fire and Rescue Authorities?

¹¹ See Annex B for the definition of “Band D” equivalent dwellings

Section 4

Other issues – Police Authorities, restructuring, costs and practicability

Police Authorities

- 38.** Police authorities also precept for their expenditure through council tax, and in the recent Green Paper *From the Neighbourhood to the national: policing our communities together*¹², the Home Office has committed to “publication of the cashable savings made [by police authorities] ... open to national and local scrutiny”. One idea is that council tax bills could play a role in promoting such local scrutiny.

Question 10 – We welcome comments on this potential approach.

Restructuring

- 39.** As a result of local government restructuring, new unitary local authorities will be created in seven county areas on 1 April 2009. Reports of efficiency performance would therefore relate to predecessor bodies – so making it harder to assign accountability in 2009-10, although some element of reporting would provide the new councils with an opportunity to underline the greater efficiency of the new unitary arrangements.

Question 11 – Should local authorities subject to reorganisation report efficiencies with council tax from 2009-10? What reasons do you have for your view?

Practicability

- 40.** The Department will present to the billing authority in good time the information that it needs to print, using data made available to the Department through the National Indicator Set and other sources (such as those for calculating the number of Band D equivalent dwellings). As a result, there will be no need for local authorities to undertake any such calculations themselves.

Question 12 – Is the approach outlined above reasonable and practicable for billing authorities to implement? If not, what reasons forestall this?

¹² <http://police.homeoffice.gov.uk/police-reform/policegp/>

Question 13 – Do you consider that local government will need guidance to assist the transition from current regulations to any new legislation? It would be helpful if you could provide any detail on what such guidance might look like.

Cost implications

- 41.** The proposals in this consultation paper would be fully and properly funded by central Government to ensure that there is no net additional cost for local authorities (including police and fire and rescue authorities). It would be helpful if respondents could provide us with an estimate of the additional costs which they believe would result.

Question 14 – What would be the likely cost (annual and/or one-off transition cost) of the options for reporting efficiency performance?

Other issues

- 42.** We believe we have covered the main issues relating to the proposed amendments to the 2003 Regulations. However, if there are any points you would like us to consider that are not covered, we would be grateful if you could raise them with us.

Section 5

Consultation process and how to respond

43. The proposals presented in this consultation document amount to technical changes requiring local government consultation.
44. The Government and the Local Government Association have adopted the Framework for Partnership¹³ which provides guidance on effective local government consultation. The framework outlines that the time allowed for local government consultation is normally six weeks. We also are adhering to the Code of Practice on Consultation as far as possible.¹⁴
45. This consultation is open for a period of six weeks commencing 3 September 2008.
46. In addition to all local authorities across England, we have identified organisations which we believe will be interested in reading and responding to this consultation, including the LGA, Audit Commission and CIPFA.
47. Responses to this consultation must be received by **16 October 2008**. Please make clear when the response is being made formally on behalf of an organisation.
48. Please submit your response, preferably by email to:

Email: LTIE@communities.gsi.gov.uk

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¹³ www.communities.gov.uk/localgovernment/performanceframeworkpartnerships/centrallocalpartnership/framework (paragraph 5)

¹⁴ www.cabinet-office.gov.uk/regulation/Consultation/Introduction.htm

Confidentiality and data protection

- 49.** Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).
- 50.** If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act, there is a statutory Code of Practice with which public authorities must comply and which deals with, among other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.
- 51.** The Department will process your personal data in accordance with the Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.
- 52.** Confidential responses will nevertheless be included in any statistical summary of numbers of comments and views expressed, although individuals will not be.

Annex A

Definition of National Indicator 179

- A1** This annex sets out the full definition of NI179 as published by the Department in April 2008 in *National Indicators for Local Authorities and Local Authority Partnerships: Handbook of Definitions*¹⁵, which we propose should be used as the basis for the efficiency information to be included with council tax demand notices:

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year

Is data provided by the LA or a local partner?	Y	Is this an existing indicator?	Y
Rationale	<p>All parts of the public sector need to continue to seek and implement ways to deliver higher quality public services with the resources that are available. This means enhancing value for money and the whole public sector has been set a target of achieving at least 3 per cent per annum value for money gains during the 2007 Comprehensive Spending Review period, all of which should be cash-releasing, ie free up resources that can be redeployed elsewhere.</p> <p>The response to pressure on available resources should be to seek greater value for money, rather than to simply reduce the effectiveness of public services. Therefore, this indicator records the value of ongoing net cash-releasing value for money gains achieved by councils. This is same as the figure for total cumulative cashable efficiency gains that until now has been reported through the Annual Efficiency Statement (which is being rescinded).</p>		

¹⁵ Available at: www.communities.gov.uk/publications/localgovernment/finalnationalindicators

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year (continued)			
Is data provided by the LA or a local partner?	Y	Is this an existing indicator?	Y
Definition	<p>The total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 Financial Year.</p> <p>Net: Value for money gains should be reported net of any additional investment and ongoing costs incurred for their implementation (this excludes any staff costs incurred in implementing the gains if those costs would have been incurred in any event).</p> <p>Ongoing: Value for money gains must persist for at least two full financial years after the year they first accrue (the value of any gains reported through this indicator that are not sustained for this period of time must be deleted at the earliest opportunity).</p> <p>Cash-releasing: Value for money gains that release resources which can be redeployed according to local priorities.</p> <p>Value for money gains: Improved relationship between inputs and outputs for the delivery of a service, but without any deterioration of the overall effectiveness of that service (a service can be any activity undertaken by the council).</p> <p>Impacted: The moment that the financial benefit of the action is felt (thus gains arising from actions taken before the start of the 2008-09 financial year or the remaining part year effects of gains that first impacted during 2007-08 may also be included where they meet this qualification).</p> <p>In addition, councils may also count the value of any cash-releasing gains achieved before 2008-09 where they are both ongoing and in excess of the council's 7.5 per cent efficiency target for the 2004 Spending Review period.</p>		

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year (continued)

Is data provided by the LA or a local partner?	Y	Is this an existing indicator?	Y
Formula	<p>The indicator seeks a single, aggregate figure for the gains achieved and sustained since the start of the 2008-09 financial year. In calculating this figure, councils will need to look at the changes in inputs and outputs for different functions from one year to the next. It is appropriate to focus this effort in areas where specific actions have been taken to achieve value for money gains as part of the benefits realisation process.</p> <p>Looking at a specific area where gains have been achieved, councils should compare the real costs in £ (ie taking into account the impact of inflation, for which the GDP deflator is the default rate unless an alternative is specifically stated for a sector in the detailed guidance, and changes in the volume of activity) of providing the service in the previous financial year and the one being reported on.</p> <p>Provided that there has been no deterioration in the overall effectiveness of that service, the difference between the two figures, less any additional investment and ongoing costs required to implement the action apportioned to years in line with standard accounting practice on amortisation, is the value of the gain to include in the aggregate figure.</p> <p>The formula for calculation is as follows:</p> $x_t - x_{t+1}$ <p>where:</p> <p>x_t = the real cost of providing service delivery in the previous financial year;</p> <p>x_{t+1} = the real cost of providing service delivery in the current financial year.</p> <p>Detailed guidance on how to apply this basic principle in more complicated areas of activity, including capital expenditure and income generation from increased demand (rather than new or increased charges), and an indication of what actions do not result in eligible value for money gains is published separately (see below).</p>		

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year (continued)			
Is data provided by the LA or a local partner?	Y	Is this an existing indicator?	Y
Worked example	<p>In Year 1, Council A spends £100,000 on providing service X.</p> <p>In Year 2, it spends £90,000 to provide the service, with no deterioration in its overall effectiveness and taking account of inflation.</p> <p>The value for money gain contributing to the aggregate total is therefore:</p> $£100,000 - £90,000 = £10,000$	Good performance	<p>Good performance is typified by higher numbers.</p> <p>However, the indicator will not provide evidence on absolute value for money against which different councils can be judged. The scope for gains will be different in each area, and the ability to report higher numbers may be limited in any organisation that is genuinely delivering excellent value for money.</p>
Collection interval	<p>Biannual:</p> <p>July (from July 2009) – <u>Actual</u> gains achieved since 1 April 2008 up to the end of the previous financial year.</p> <p>October (from October 2008) – <u>Forecast</u> cumulative position at end of current financial year.</p>	Data Source	Local Authorities.
Return Format	Number (£ Thousands)	Decimal Places	Rounded to nearest thousand
Reporting organisation	Local authorities (liaising as appropriate with any partners with which they have jointly undertaken actions to improve value for money, to allocate the value of the value for money gains accordingly and avoid double counting against the whole public sector target).		
Spatial level	Single tier, district and county council		

NI 179: Value for money – total net value of ongoing cash-releasing value for money gains that have impacted since the start of the 2008-09 financial year (*continued*)

Is data provided by the LA or a local partner?	Y	Is this an existing indicator?	Y
<p>Further Guidance</p>	<p>While councils will no longer be reporting the detail formerly required in the Annual Efficiency Statement (ie actions planned and undertaken, assuring maintenance of service quality, and breaking down gains achieved by service sector), they will still be expected to have their own processes in place to track value for money gains from the projects they undertake, ensuring there has been no deterioration in the overall effectiveness of service delivery, and be able to demonstrate these to auditors (both their own internal audit and auditors appointed by the Audit Commission undertaking the Use of Resources assessment).</p> <p>Detailed guidance on the measurement of value for money gains and the principles underpinning what counts towards this indicator will continue to be maintained in partnership with the Measurement Taskforce (formed of representatives from local and central government) and published online. An online discussion forum for councils to discuss measurement issues with each other and the Department will also be maintained.</p> <p>(At the time of printing, the measurement guidance was available at: www.rce.gov.uk/rce/core/page.do?pagelD=10106 and the discussion forum at: www.esd.org.uk/forums/viewforum.php?f=130)</p> <p>Non-cashable gains, including where the level of service quality improves proportionately more than increases in costs, will still be important for councils in helping them to deliver better services, but these gains will not need to be evaluated in £ and reported to central government in CSR07.</p>		

Annex B

Definition of Band D equivalent dwellings

- B1** This annex sets out the definition of Band D equivalent dwellings (also known as the council taxbase), as used by the Department in its statistical releases, which we propose should be used in the production of a benchmark figure for performance by councils of a similar type (as set out in Annex D).

Council taxbase – the number of Band D equivalent dwellings in a local authority's area. To calculate the taxbase for an area, the number of dwellings in each band in the area is reduced to take account of discounts and exemptions. The resulting figure for each band is then multiplied by its proportion relative to Band D, and the total across all eight bands is calculated.

Annex C

Calculating 2007-08 baseline spend

C1 One way of providing some context for the value of efficiencies achieved (as reported through NI179 by councils and the Annual Efficiency Statement by Fire and Rescue Authorities) is to express it as a percentage of total expenditure in 2007-08. This annex sets out how we propose to calculate the figure for “2007-08 baseline total spend” for councils and FRAs¹⁶.

Calculation for local government

C2 For councils, our definition is based on that used to define the 3 per cent per annum efficiency target that applies to English councils overall, and which equates to £4.9 bn over the CSR07 period. This allows the public to see if their authority is performing above or below the 3 per cent per annum expectation for the public sector overall.

C3 We have made allowances for two factors:

- Capital expenditure can distort the calculation for small councils (for instance, where a large project has been undertaken in the baseline year this could inflate a baseline beyond what would normally be expected). Therefore, the formula requires calculation of the average outturn capital spend over the most recent three-year period in order to even out the effects of “lumpy” expenditure.
- Outturn expenditure data for 2007-08 would not be available in time to produce the data to support the production of the 2009-10 council tax demand notices. Thus, for this first year, the forecast expenditure data would be used instead, with subsequent years using an amended baseline figure obtained from the outturn data.

C4 The formula for calculating the “2007-08 baseline total spend” is set out below using the revenue and capital expenditure forms that councils submit to the Department each year. These forms are required under the following legislative provisions:

- *RA form*: Section 139A of the Local Government Act 1988 (as inserted by paragraph 68 of Schedule 5 to the Local Government and Housing Act 1989)

¹⁶ Where county councils exercise fire and rescue functions they will, in effect have two baselines, one for their ‘council’ areas of activity and one for their ‘fire and rescue’ activities.

- *RO form*: Section 168 of the Local Government Act 1972
- *COR form*: Section 14 of the Local Government Act 2003

Formula for 2009-10 Council Tax bills only	Formula for 2010-11 Council Tax bills onwards
Using 2007-08 RA Form	Using 2007-08 RO Form
Total Net Service Expenditure (RA line 699, column 1)	Total Net Service Expenditure (RS line 699, column 1)
<i>Plus</i> Passenger Transport Authority and Waste Disposal Authority (RA lines 722 and 724)	<i>Plus</i> Passenger Transport Authority and Waste Disposal Authority (RS lines 722 and 724)
<i>Minus</i> Nursery, Primary, Secondary and Special Schools, Police Services, and Fire & Rescue Services (RA lines 110, 120, 130, 140, 601, 602)	<i>Minus</i> Nursery, Primary, Secondary and Special Schools, Police Services, and Fire & Rescue Services (RO1 lines 10, 20, 30, 40, and RS lines 601, 602)
<i>Minus</i> Grants outside AEF (RA line 791) *	<i>Minus</i> Grants outside AEF (RS line 791) *
Using 2004-05, 2005-06 and 2006-07 COR Forms	Using 2005-06, 2006-07 and 2007-08 COR Forms
<i>Plus</i> Average of Total Capital Expenditure for last three financial years with available outturn data (COR1&2 line 46, column 6)	
<i>Minus</i> Average of Primary, Secondary and Special Education, Fire & Rescue, and Police expenditure for the last three financial years with available outturn data (COR1&2 lines 1, 2, 3, 42, 43, column 6)	

Note:

* Negative numbers would be treated as zero for the calculation. Not all the grants recorded in this line were excluded from the baseline calculation for the national £4.9bn efficiency target.

Calculation for Fire and Rescue Authorities

- C5** For FRAs, a simpler definition of “2007-08 baseline total spend” is possible since all relevant revenue expenditure is included in a single row of the financial forms submitted to the Department each year and, in terms of capital, only the revenue impact of capital receipts arising from the disposal of surplus capital assets are reported (as set out in paragraph E22).
- C6** Therefore, the baseline for use with the 2009-10 Council Tax bills would be RA line 602 of the 2007-08 RA form; and the baseline for use with the 2010-11 Council Tax bills onwards would be RS line 602 of the 2007-08 RO form.

Annex D

List of local authorities by type

D1 The tables below list the groupings of councils that would be used in forming any benchmark averages to be included with the demand notices as a comparator.

County Councils	London Boroughs	Metropolitan Borough Councils	(Shire) Unitary Councils
Buckinghamshire	City of London	Barnsley	Bath & North East Somerset
Cambridgeshire	Barking and Dagenham	Birmingham	Blackburn with Darwen
Cumbria	Barnet	Bolton	Blackpool
Derbyshire	Bexley	Bradford	Bournemouth
Devon	Brent	Bury	Bracknell Forest
Dorset	Bromley	Calderdale	Brighton & Hove
East Sussex	Camden	Coventry	Bristol
Essex	Croydon	Doncaster	Darlington
Gloucestershire	Ealing	Dudley	Derby
Hampshire	Enfield	Gateshead	East Riding of Yorkshire
Hertfordshire	Greenwich	Kirklees	Halton
Kent	Hackney	Knowsley	Hartlepool
Lancashire	Hammersmith & Fulham	Leeds	Herefordshire
Leicestershire	Haringey	Liverpool	Isle of Wight
Lincolnshire	Harrow	Manchester	Isles of Scilly
Norfolk	Havering	Newcastle-upon-Tyne	Kingston-upon-Hull
North Yorkshire	Hillingdon	North Tyneside	Leicester
Northamptonshire	Hounslow	Oldham	Luton
Nottinghamshire	Islington	Rochdale	Medway
Oxfordshire	Kensington and Chelsea	Rotherham	Middlesbrough
Somerset	Kingston upon Thames	Salford	Milton Keynes
Staffordshire	Lambeth	Sandwell	North East Lincolnshire
Suffolk	Lewisham	Sefton	North Lincolnshire
Surrey	Merton	Sheffield	North Somerset
Warwickshire	Newham	Solihull	Nottingham
West Sussex	Redbridge	South Tyneside	Peterborough
Worcestershire	Richmond upon Thames	St Helens	Plymouth
	Southwark	Stockport	Poole
	Sutton	Sunderland	Portsmouth
	Tower Hamlets	Tameside	Reading
	Waltham Forest	Trafford	Redcar and Cleveland
	Wandsworth	Wakefield	Rutland
	Westminster	Walsall	Slough
		Wigan	South Gloucestershire
		Wirral	Southampton
		Wolverhampton	Southend-on-Sea
			Stockton-on-Tees
			Stoke-on-Trent
			Swindon
			Telford & Wrekin
			Thurrock
			Torbay
			Warrington
			West Berkshire
			Windsor and Maidenhead
			Wokingham
			York

(Shire) District Councils

Adur	East Northamptonshire	North Devon
Allerdale	East Staffordshire	North Dorset
Amber Valley	Eastbourne	North East Derbyshire
Arun	Eastleigh	North Hertfordshire
Ashfield	Eden	North Kesteven
Ashford	Elmbridge	North Norfolk
Aylesbury Vale	Epping Forest	North Warwickshire
Babergh	Epsom and Ewell	North West Leicestershire
Barrow-in-Furness	Erewash	Northampton
Basildon	Exeter	Norwich
Basingstoke and Deane	Fareham	Nuneaton & Bedworth
Bassetlaw	Fenland	Oadby & Wigston
Blaby	Forest Heath	Oxford
Bolsover	Forest of Dean	Pendle
Boston	Fylde	Preston
Braintree	Gedling	Purbeck
Breckland	Gloucester	Redditch
Brentwood	Gosport	Reigate and Banstead
Broadland	Gravesham	Ribble Valley
Bromsgrove	Great Yarmouth	Richmondshire
Broxbourne	Guildford	Rochford
Broxtowe	Hambleton	Rossendale
Burnley	Harborough	Rother
Cambridge	Harlow	Rugby
Cannock Chase	Harrogate	Runnymede
Canterbury	Hart	Rushcliffe
Carlisle	Hastings	Rushmoor
Castle Point	Havant	Ryedale
Charnwood	Hertsmere	Scarborough
Chelmsford	High Peak	Sedgemoor
Cheltenham	Hinckley & Bosworth	Selby
Cherwell	Horsham	Sevenoaks
Chesterfield	Huntingdonshire	Shepway
Chichester	Hyndburn	South Bucks
Chiltern	Ipswich	South Cambridgeshire
Chorley	Kettering	South Derbyshire
Christchurch	Kings Lynn and West Norfolk	South Hams
Colchester	Lancaster	South Holland
Copeland	Lewes	South Kesteven
Corby	Lichfield	South Lakeland
Cotswold	Lincoln	South Norfolk
Craven	Maidstone	South Northamptonshire
Crawley	Maldon	South Oxfordshire
Dacorum	Malvern Hills	South Ribble
Dartford	Mansfield	South Somerset
Daventry	Melton	South Staffordshire
Derbyshire Dales	Mendip	Spelthorne
Dover	Mid Devon	St Albans
East Cambridgeshire	Mid Suffolk	St Edmundsbury
East Devon	Mid Sussex	Stafford
East Dorset	Mole Valley	Staffordshire Moorlands
East Hampshire	New Forest	Stevenage
East Hertfordshire	Newark & Sherwood	Stratford-on-Avon
East Lindsey	Newcastle-Under-Lyme	Stroud

(Shire) District Councils (continued)

Suffolk Coastal	Torridge	West Lancashire
Surrey Heath	Tunbridge Wells	West Lindsey
Swale	Uttlesford	West Oxfordshire
Tamworth	Vale of White Horse	West Somerset
Tandridge	Warwick	Weymouth and Portland
Taunton Deane	Watford	Winchester
Teignbridge	Waveney	Woking
Tendring	Waverley	Worcester
Test Valley	Wealden	Worthing
Tewkesbury	Wellingborough	Wychavon
Thanet	Welwyn Hatfield	Wycombe
Three Rivers	West Devon	Wyre
Tonbridge & Malling	West Dorset	Wyre Forest

D2 The table below lists the councils that are currently affected by reorganisation procedures. We propose that the new unitary councils that will replace them should supply efficiency information with council tax demand notices for 2009-10 onwards, joining the list of (shire) unitary councils in the first table of this annex for the purposes of creating a benchmark figure:

Councils in Areas Affected by Local Government Reorganisation

Alnwick District Council	Macclesfield Borough Council
Bedford Borough Council	Mid Bedfordshire District Council
Bedfordshire County Council	North Cornwall District Council
Berwick Upon Tweed District Council	North Shropshire District Council
Blyth Valley Borough Council	North Wiltshire District Council
Bridgnorth District Council	Northumberland County Council
Caradon District Council	Oswestry Borough Council
Carrick District Council	Penwith District Council
Castle Morpeth Borough Council	Restormel Borough Council
Cheshire County Council	Salisbury District Council
Chester City Council	Sedgefield Borough Council
Chester-le-Street District Council	Shrewsbury & Atcham Borough Council
Congleton Borough Council	Shropshire County Council
Cornwall County Council	South Bedfordshire District Council
Crewe and Nantwich Borough Council	South Shropshire District Council
Derwentside District Council	Teesdale District Council
Durham City Council	Tynedale District Council
Durham County Council	Vale Royal Borough Council
Easington District Council	Wansbeck District Council
Ellesmere Port & Neston Borough Council	Wear Valley District Council
Kennet District Council	West Wiltshire District Council
Kerrier District Council	Wiltshire County Council

Annex E

Fire and Rescue annual efficiency calculations

Introduction

E1 This Annex sets out extracts from guidance to Fire & Rescue Authorities (FRA) in their Annual Efficiency Statement (AES) returns. Such guidance has been refined with the assistance of the FRA Efficiency Measurement Working Group whose members are drawn from FRAs, OGC, Audit Commission and the LGA. The Government's powers to act are set out in the document "Reporting Efficiencies – Arrangements for English Fire and Rescue Authorities", issued under fire circular number 48-2005.¹⁷

Background

E2 Efficiency is an integral component of the wider FRS modernisation agenda. Many FRAs already follow good practice in planning for, and monitoring progress on, improved efficiency and value for money through:

- Identifying actions to improve efficiency, and expected benefits from those actions
- Developing their Integrated Risk Management Plans and setting an annual budget as part of their medium term financial planning process
- Monitoring progress on their actions, to determine whether any change in plan is required
- Identifying and quantifying the financial impact of actions taken in the preceding financial year.

E3 The national efficiency target for the Fire and Rescue Service is to achieve a cashable net annual efficiency saving of £110m a year by the end of the CSR07 period. Communities and Local Government expects all authorities to continue to make efficiency savings in order to improve service and provide value for money.

¹⁷ www.communities.gov.uk/documents/fire/pdf/142397.pdf

Definition of efficiency

- E4** Efficiency is about raising productivity and enhancing value for money. FRAs will need to ensure benefits accrue to the public purse in order to count as delivering an efficiency gain. A cashable efficiency gain is made when, for a given area of activity, an organisation is able to reduce inputs for the same outputs; or reduce prices for the same outputs. Cashable efficiencies release cash while maintaining outputs and allow the resources that are released to be diverted to other services or to hold down council tax increases. In other words, there is a direct financial saving or benefit with money released that can be spent elsewhere or recycled within an FRA to deliver better results.
- E5** Efficiency gains may be calculated in a number of ways but would always need to be quantified in monetary terms. The means of calculation need to be transparent, objective, accurate and capable of being independently validated but seek to minimise additional effort.
- E6** Before an efficiency gain can be qualified as cashable it must have met relevant quality measure(s). If it has not, and this demonstrates that there has been a material reduction in performance (as a result of the efficiency action taken rather than unrelated external factors), the associated savings cannot properly be counted as an improvement in efficiency (as there has been a reduction in the quality of service).
- E7** Efficiencies should be calculated net of costs. It is a requirement that:
- All up-front investment costs are netted off from vfm savings in the year in which they fall if they occur in the year in which savings are claimed
 - All ongoing investment costs have to be netted off from vfm savings in the year in which they occur. This means ensuring that any new additional operating costs incurred as a result of implementing a new process are subtracted from the vfm saving each year.
- E8** In order to be considered an efficiency gain, all savings must be sustainable. A sustainable efficiency gain is “an efficiency gain which exists for the current year and at least two subsequent financial years afterwards”. No one-off gains should therefore be reported in CSR07, as by definition, they do not meet this criterion.

Reporting through the Annual Efficiency Statement (AES)

- E9** Arrangements are in place for reporting of efficiency gains through the AES. The AES comprises two parts.
- The forward look is a very brief outline of the strategy for securing efficiency gains, the key actions that will be taken during the next year, and the efficiency gains that are expected to result from them.
 - The backward look sets out efficiency gains achieved in the past financial year.
- E10** Once satisfied that the relevant quality crosschecks have been met (see below), cashable efficiency gains should be reported in the table section of the AES. The Department for Communities and Local Government requires efficiency gains to be reported against a standard set of categories – as agreed with the FRS Efficiency Measurement Working Group – and these are included in the template.
- E11** The value of sustainable efficiency gains may fluctuate over time for a range of reasons. Once recorded in an AES, FRAs should state explicitly in the backward look AES where gains reported in the forward look AES have not been achieved, and whether they are likely to be achieved in future years. FRAs should notify the Department for Communities and Local Government of likely revisions to their forecast at the earliest opportunity.
- E12** Quantification of efficiency gains should take account of inflation. This means that, for instance, the procurement of goods and services at prices that are constant in nominal terms is an efficiency gain, because in real terms their price has fallen by the rate of inflation. For the purpose of assessing the efficiency gains that result from holding down procurement prices, the default rate of inflation to be taken into account for any AES is the GDP deflator. This will apply in all cases, including the calculation of savings on posts.
- E13** It should be noted that any broader savings associated with the reduction of fire-fighter posts, e.g. accommodation savings, should not be included in the efficiency gains category reporting the overall cost of a fire-fighter. Instead the direct efficiency generated by actions that reduce firefighter posts should be recorded against the most appropriate category for that action, eg revised shift systems/crewing arrangements (IRMP). The additional efficiencies generated as a result of a second efficiency action (eg reduce surplus accommodation following a reduction in fire-fighter posts) should be reported against the category most relevant to this second action (in this case corporate services).

- E14** Communities and Local Government recognises that there may be variations in costs of employing retained staff. However, when calculating the cost of a retained fire-fighter we suggest FRAs take the following factors into account:
- annual retainer
 - call-out payment
 - hourly wage on incidents, regular training sessions
 - training and equipment costs
 - travel and subsistence
 - regional weighting
 - special payments (such as long-service increment)
- E15** When calculating pension costs, FRAs should use the rate specified in the Fire-fighter Pensions funding guidance issued by Communities and Local Government.
- E16** It is not appropriate to include possible reduction in ill-health compensation costs associated with incidents such as involvement in accidents while on duty as a result of reduction in numbers of firefighters. Such efficiencies should only be claimed as a direct result of efficiency actions taken to improve health and safety and therefore reduce the incidence of accidents
- E17** To ensure that efficiency gains achieved through collaboration with other FRAs are properly addressed, the Department is asking RMBs to report collectively on efficiency gains delivered through joint working. This expectation is reflected in the 2008/11 Fire and Rescue Service National Framework. To avoid double-counting, FRAs will no longer be required to report collaborative efficiency gains and the “collaborative” category has been removed in the forward look AES for 08/09.

Quality crosschecks

- E18** FRAs are required to provide a quality crosscheck for each category against which they will record net cashable efficiency gains and any non-cashable efficiency gains reported. The quality crosschecks are intended to demonstrate that performance has been at least maintained in the service area in which the efficiency is made, including operational performance against their Integrated Risk Management Plan. These need to be transparent, objective, accurate and capable of being independently validated. The person certifying the AES should be satisfied that there is sufficient evidence underpinning the claim to allow the gain to be verified by a third party.

- E19** FRAs should continue to use an appropriate quality cross check to demonstrate that service level has been at least maintained. If continuing to collect former BVPI data for local performance management purposes then these remain appropriate for FRAs to evidence that service levels have been at least maintained. Alternatively, FRAs can use other appropriate local performance measures to evidence an efficiency gain. FRAs are asked to provide a brief explanation in the “quality crosscheck” column of the AES template to explain what the quality crosscheck indicator is and what it is measuring.
- E20** When using alternative crosschecks, it is important that FRAs bear in mind that it needs to be a measure of service quality and should not simply repeat, or provide further evidence for, the efficiency gain being claimed. For example, a reduction in the cost of certain goods is an action, not a quality crosscheck. However, in this case, a FRA might demonstrate that quality had been maintained by showing that the goods had been procured using the same specification. Similarly, citing “revenue budget” as a quality crosscheck is incorrect, as this does not demonstrate that service level has been at least maintained. Spending the same amount or less does not demonstrate that service level has been at least maintained.
- E21** FRAs might wish to specify a single relevant quality crosscheck or a basket of crosschecks to provide an appropriate measure of maintenance of service quality. If a basket of crosschecks is being used, FRAs may wish to fix a weighting to each before the relevant information is collected. FRAs should also be careful to avoid choosing highly volatile crosschecks or ones subject to significant external factors that might not reflect fairly the level of service provided by the FRA.

Capital/Revenue

- E22** Efficiency gains arising from the disposal of surplus capital assets that result in capital receipts are recognised, however only the revenue impact of the capital receipts may be counted in the AES. Efficiencies cannot be counted from the sale of non-operational investments.
- E23** If resources are released and the same level and quality of outputs is maintained, this represents a cashable efficiency gain. Capital receipts utilised to reduce borrowing or attain interest payments represent an efficiency gain that can be assessed on an on-going annual basis. FRAs may also wish to refer to the local government guidance¹⁸, which has a section on efficiency gains obtained from capital expenditure (page 17 refers).

¹⁸ Available at: www.rcoe.gov.uk/rce/aio/16540

Cumulative cashable gains

- E24** The cumulative figure entered into the AES table should show the FRA's total savings in comparison to the baseline. FRAs should only include newly identified efficiency gains for that year in the AES table, and if these are recurring (sustainable), they will carry forward to the 2010/11 total. Any recurring efficiency should have one-year's saving brought forward.

Double-counting avoidance

- E25** It is essential that completed AESs exclude any double counting of efficiency gains. For example, savings may have been made because of revised staffing arrangements and any associated training costs should be worked into the overall cost of employing a fire-fighter. This will be reported against the Revised shift systems/Crewing arrangements category. Where one efficiency action taken enables a second subsequent efficiency action to be taken then the results of the second action should be reported once against the most relevant category for that action.
- E26** Double-counting also needs to be avoided in activities carried out between FRAs which result in efficiency gains. This will require appropriate co-ordination within and between FRAs and, where savings are shared, mutual agreement concerning amounts to be reported on the AESs.

Ensuring that statements incorporate accepted definitions of efficiency gains

- E27** Methodologies for assessing efficiency gains must be in line with any mandatory elements of the Department for Communities and Local Government's guidance (e.g. that cost shifting does not count as an efficiency gain).

Efficiency calculations

- E28** An audit trail of any item should have clarity on the baselines for costs and output underpinning its efficiency calculations. It is recommended that efficiencies be measured against a comprehensive picture of inputs, outputs and service quality. Counterfactual baselines, estimating what would have occurred if an efficiency initiative had not been put in place, should only be used if they can be clearly defined.

Data quality

- E29** Efficiency gains should be based on data from systems that are subjected to regular assurance processes. Adequate audit trails should be available for any checks made by the auditors on a sample check of statement entries. These should track data from collection through to processing and reporting.

Annex F

Summary of questions

F1 The specific questions which feature throughout the text of this paper are reproduced here for ease of reference:

Five measures of efficiency information

We propose that up to five measures of standardised information be provided by billing authorities for the taxpayer, either on the face of the council tax bill, or in the council tax leaflet. Such information would be provided for all principal local authorities within their area. The five measures are:

(A) NI179 forecast for the year prior to the council tax bill for the billing authority and the upper tier authority, where relevant, as of the 2009-10 financial year (eg in 2010-11, councils would report forecast efficiency for 2009-10)

(B) NI179 actual for two years prior for the billing authority and the upper tier authority, where relevant, as of the 2010-11 financial year (eg in 2010-11, councils would report actual efficiency for 2008-09)

(C) NI179 forecast for the previous year for the billing authority and the upper tier authority, where relevant, both divided by the relevant number of Band D equivalent dwellings for the previous year, as of the 2009-10 financial year (e.g. in 2010-11, councils would report efficiencies per Band D equivalent dwellings for 2009-10)

(D) NI179 forecast for the previous year as a percentage of 2007-08 baseline total spend for the billing authority and the upper tier authority, where relevant, as of the 2009-10 financial year; and

(E) (for information in the accompanying leaflet, and not for the face of the council tax bill) benchmark NI179 per Band D equivalent dwelling, calculated using forecast data from councils of that type for the previous year for the billing authority and upper tier authority, where relevant. In 2010-11, for example, a London borough would report efficiencies per Band D equivalent dwellings for 2009-10 for London boroughs as a whole. In a two-tier area a billing authority would report average efficiency per Band D equivalent among shire district councils, and average efficiency per Band D equivalent among shire county councils. This would take place as of the 2009-10 financial year.

It is also proposed that a footnote be printed in the council tax leaflet which could read along the following lines:

These are the latest estimate of efficiency savings to reduce or hold down the cost of delivering services. Council tax only raises part of the money needed to pay for those services, and the efficiencies cannot all be put towards reducing council tax bills.

Question 1 – What do you see as the advantages and disadvantages of the inclusion of the five measures of efficiency information set out above?

Question 2 – What do you see as the advantages and disadvantages of the inclusion in the council tax leaflet of the footnote set out above?

Efficiency information on the face of the council tax bill

Question 3 – Should key efficiency information be provided on the face of the council tax bill? What are the advantages and disadvantages of doing so?

Question 4 – Which of the above efficiency measures would be most appropriate to include on the face of the council tax bill?

Question 5 – We welcome views on the practicability of including efficiency data on the face of the council tax bill for the 2009-10 round.

Footnote on the face of the demand notice

We suggest a footnote along the following lines:

Billing and major precepting authorities are required to report efficiency savings. Information on their results can be found on page [x] of the accompanying leaflet.

Question 6 – What are the advantages and disadvantages of including such a reference on the face of the council tax bill?

Question 7 – We welcome views on the practicability of including such a footnote on the face of the council tax bill for the 2009-10 round.

Information in the council tax leaflet

Question 8 – We welcome views on the practicability of including efficiency data in the council tax leaflet for the 2009-10 round.

Fire and Rescue Authorities

Question 9 – What are the advantages and disadvantages to including the efficiency measures as applied to Fire and Rescue Authorities?

Police authorities

Police authorities also precept for their expenditure through council tax, and in the recent Green Paper *From the Neighbourhood to the national: policing our communities together*, the Home Office has committed to “publication of the cashable savings made [by police authorities] ... open to national and local scrutiny”. One idea is that council tax bills could play a role in promoting such local scrutiny.

Question 10 – We welcome comments on this potential approach.

Restructuring

Question 11 – Should local authorities subject to reorganisation report efficiencies with council tax from 2009-10? What reasons do you have for your view?

Practicability

The Department will present to the billing authority in good time the information that it needs to print, using data made available to the Department through the National Indicator Set and other sources (such as those for calculating the number of Band D equivalent dwellings). As a result, there will be no need for local authorities to undertake any such calculations themselves.

Question 12 – Is the approach outlined above reasonable and practicable for billing authorities to implement? If not, what reasons forestall this?

Question 13 – Do you consider that you will need guidance to assist the transition from current regulations to any new legislation? It would be helpful if you could provide any detail on what such guidance might look like.

Cost Implications

Question 14 – What would be the likely cost (annual and/or one-off transition cost) of the options for reporting efficiency performance?

If there are any points you would like us to raise that are not covered, we would be grateful if you could raise them with us.

How to respond

F2 Responses to this consultation must be received by **16 October 2008**. Please make clear when the response is being made formally on behalf of an organisation.

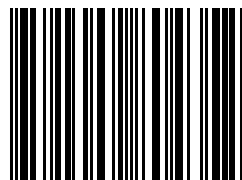
F3 Please submit your response preferably by email to:

Email: LTIE@communities.gsi.gov.uk

Ellen Davies
Local Transformation, Improvement and Efficiency Division
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