



Government response to the consultation on the
inclusion of efficiency information with council tax
demand notices



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inclusion of efficiency information with council tax
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Introduction

1. On 3 September, the Department published a consultation paper seeking views on the proposal to include information on local authorities' efficiency performance with council tax demand notices¹. The aim of this proposal is to give council tax payers directly details about the achievement of their local authorities and to put that into context properly.
2. This document sets out the key points raised by the people and organisations who submitted their opinions on the proposals and the Government's response.

Overview of the Responses

3. In total, 218 unique responses to the consultation were received, many of these jointly on behalf of a number of people or organisations. Individual responses were submitted by 175 English councils (four of which submitted two different responses); some 45 per cent of the total number of councils in England. Individual responses were also received from two Fire and Rescue Authorities and six Police authorities or their representatives. The 14 joint local responses covered: 65 councils, one Fire and Rescue Authority, and two Police authorities, some of which also submitted an individual response. Twelve of these 201 responses related to councils or groups of councils subject to reorganisation in April 2009.
4. Of the remaining responses: ten were from regional or national organisations, or representative bodies; two came from private sector companies that produce demand notices for councils; one from a Welsh council; and four were the individual personal views of council finance/ revenue practitioners.
5. The principal results from the consultation were that (in each case the percentages refer only to the proportion of responses that expressed a clear preference on that particular subject):
 - more than ninety per cent accepted the principle of providing greater transparency for the public on efficiency achievements, though only just over one-third accepted the case for the standardisation of information
 - over sixty per cent accepted the case for the usefulness of leaflets in providing efficiency performance information, citing such factors as greater accessibility and a lever for increased performance
 - more than half accepted the case for including data on efficiencies made by police authorities and fire and rescue authorities

¹ Available at: www.communities.gov.uk/publications/localgovernment/counciltaxefficiencyinformation

- almost all respondents did not accept the case for requiring information on the face of the bill, citing in particular a lack of room to include such information and the potential for public confusion about what it meant for their bill
 - more than eighty per cent believed that the proposed footnote for the accompanying leaflet would also be confusing to the public; and
 - the majority of responses received from councils involved in restructuring in April 2009 did not accept the requirement for the new unitary authorities to report efficiencies forecast or achieved by their predecessor councils, citing in particular the additional complexity that would entail and that the figures would not be meaningful given that those councils would have been abolished.
6. More detail on the responses given to each of the specific questions posed by the consultation is set out in annex A.

Government Response

7. The Government has considered all the responses received in the consultation, and has decided to proceed with its proposals with some modifications.
8. The Government considers that efficiency is an issue of fundamental importance for local services. Efficiency is about spending better – making money go further and offering better value to council tax payers. The resources released through efficiency are retained by councils for them to reallocate according to local priorities, whether for investment in service improvements or to hold down council tax. This is important at any time, but is especially so currently given the pressures on public finances.
9. Additionally, the Government considers that supplying efficiency information directly to citizens is a key way of informing them of the performance of their council. The public has growing expectations for the quality of public services, and expects good value for money, both from central and local government. Giving people information on their council's efficiency will enable them to understand what it is doing to improve value for money – and challenge the council to do better if necessary.
10. The consultation process has highlighted that respondents agree with the need for transparency on efficiency for taxpayers. While concerns were expressed about the proposals, in particular the inclusion of efficiency information on the face of the bill, the alternatives suggested by respondents do not in the government's view, appear to have the same potential for making efficiency information as transparent to the council tax payer as possible. Including the information on the face of the bill will give it much greater prominence and accessibility for people than would be possible were it only in the accompanying leaflet.
11. Consultation responses generally took the view that there was a shortage of space on the face of the bill for efficiency information, especially since, if such information is included, it would be important to be clear as possible to taxpayers about its status.

12. These concerns have been taken into account in the modified proposals, which will only require a limited amount of efficiency information to be included on the face of the bill. Also, the proposal for a reference pointing people to the further information in the accompanying leaflet has been dropped. To provide clarity to the reader, it is strongly recommended that the information is shown separately from the billing information so that the two elements are clearly distinct.
13. Some respondents also suggested the use of different efficiency measures from those proposed. For example, it was suggested that the Use of Resources scores from the Comprehensive Area Assessment² could be used as an indicator of efficiency achievement.
14. However, the Use of Resources scores are just a number between 1 and 4, and it is unlikely that this would have as much immediacy with the public as a figure for efficiency gains in pounds sterling. Nevertheless, councils will be free to provide such information in addition to the efficiency measures to be prescribed should they believe that it will help to provide greater context for the public about their efficiency performance.
15. The key elements of the approach that will be adopted are as follows:
 - a. Amending Regulations³ will be introduced that will require councils to include information about efficiency performance on the face of the council tax bill. The three items of efficiency information that will be required on the face of the bill are the:
 - NI179 forecast (or Fire AES forward look total) figure⁴ for the year prior to the bill for the billing authority, any upper-tier authority where relevant and the Fire and Rescue authority
 - NI179 forecast (or Fire AES forward look total) figure for the year prior to the bill for the billing authority, any upper-tier authority where relevant and the Fire and Rescue authority, expressed as a percentage of the authority's baseline expenditure⁵ in 2007-08; and
 - the total impact of forecast efficiencies (using the relevant NI179 forecast and Fire AES forward look total figures for the year prior to the bill) achieved by the billing authority, any upper-tier authority where relevant and the

² Information about the Use of Resources component of the Comprehensive Area Assessment can be found at: www.audit-commission.gov.uk/localgovernment/useofresources

³ The Regulations will amend the Council Tax and Non-Domestic Rating (Demand Notices) (England) Regulations 2003 (S.I. 2003/2613).

⁴ NI179 – National Indicator 179 – is reported by all councils and records the total net value of ongoing cash-releasing value for money gains that have impacted since April 2008 (plus any cashable gains permitted to be carried forward from the 2004 Spending Review period in recognition of significant over-achievement against targets). The Fire AES – Annual Efficiency Statement – is reported by all Fire & Rescue authorities, and it records a similar figure.

⁵ The term “baseline expenditure” is defined in Annex C.

Fire and Rescue authority, for the average Band D dwelling in the billing authority's area

- b. The same Regulations will also require councils to include information about efficiency performance by the billing authority, any upper-tier authority where relevant and the Fire and Rescue authority, in the leaflets that accompany demand notices. The five items of efficiency information that will be required in the leaflets are the:
- NI179 forecast (or Fire AES forward look total) figure for the year prior to the bill
 - NI179 actual (or Fire AES backward look total) figure for the year two years prior to the bill
 - NI179 forecast (or Fire AES forward look total) figure for the year prior to the bill expressed as a percentage of the authority's baseline expenditure in 2007-08
 - NI179 forecast (or Fire AES forward look total) figure for the year prior to the bill divided by the number of Band D equivalent dwellings and
 - benchmark figure for authorities of the same type based on the NI179 forecast (or Fire AES forward look total) figure for the year prior to the bill divided by the number of Band D equivalent dwellings
- c. These requirements will apply as from the 2009-10 billing round, except the requirement to provide the NI179 actual (or Fire AES backward look total) figure for the year two years prior to the bill will commence with the 2010-11 billing round.
16. The Department recognises that there are particular potential difficulties for the new unitary councils being formed in 2009 to include this information with the 2009–10 billing round. However, we believe that it is still important for these councils to include some information on efficiency on the face of the bill and with the accompanying leaflet. We are consulting quickly with representatives from the new councils on what would be the most effective approach and determining a way forward with them.
17. The Regulations will not include any requirements for explanatory material, footnotes, or specific layouts that must be used in presenting the data either on the face of the bill or in the accompanying leaflet. However, these are all subjects that councils will want to consider.

18. We have produced some mock-ups of how this information might be presented at Annex B. In particular, we would encourage councils to introduce the efficiency data on the face of the bill with the following (or similar) words:

Councils are required to have regard to economy, efficiency and effectiveness in their actions. An efficiency saving occurs when the cost of an activity falls, but its effectiveness is not reduced. By the end of March [year the Bill is issued], efficiency savings achieved since April 2008 are forecast to be:

19. The Department will make and lay the amending Regulations putting these proposals into practice as soon as possible. Owing to the way in which the Regulations will need to be drafted, at this stage they will not apply to any financial year other than 2009-10. Our intention will be to make further amending Regulations next year for 2010-11 onwards. We will take into account experience in relation to the 2009-10 billing round when drafting these further Regulations.
20. The Department will also immediately proceed with compiling and publishing the data that the Regulations will require to be included in the 2009-10 billing round, based on the NI179 forecast figures submitted recently by councils, the parallel information from Fire and Rescue Authorities' Forward Look efficiency statements, and our calculations of authorities' baseline expenditure.
21. The data will be available on the Department's website for a week prior to the Regulations being made to allow for any authority that wishes to challenge the figures to do so, and for any consequential amendments to the published data that are necessary to be made. The data will include indicative figures for the new unitary councils to be created in April 2009 for completeness, though their use will not necessarily be required by the Regulations (depending on the discussions with representatives of the new councils referred to above).
22. In order to cover the additional burdens that this new requirement will impose, the Department will provide £2.35m capital funding in each of financial years 2008-09 and 2009-10, plus £1.84m revenue funding in each of financial years 2008-09, 2009-10 and 2010-11.
23. This funding will be sourced from existing resources allocated to support local government efficiency and transformation during the 2007 Comprehensive Spending Review period (2008-09 to 2010-11 inclusive). We would anticipate paying the 2008-09 grant early in 2009.

24. We propose to use simple formulae to allocate funds to councils. In relation to capital funding, each Billing Authority that is a shire district council would be paid an equal amount and each Billing Authority of a type other than a shire district would be paid an equal amount. In relation to revenue funding, all billing authorities will be paid an equal amount to cover design costs, plus an amount allocated in proportion to the number of households to cover additional printing and postage costs.
25. Officials in the Home Office and Department for Communities and Local Government will work together to firm up options to report information about the efficiencies achieved by police authorities in the leaflets accompanying council tax bills in good time for the 2010-11 billing round as part of an overall package meeting the Policing Green Paper's commitment to public transparency on value for money⁶.

⁶ The Policing Green Paper, *From the Neighbourhood to the national: policing our communities together*, is available at: <http://police.homeoffice.gov.uk/police-reform/policegp>

Annex A

Review of Responses to the Consultation questions

This Annex summarises the key points raised in respect of each of the questions posed by the consultation on the inclusion of efficiency information with council tax demand notices (throughout, percentages refer only to the proportion of those responses that expressed a clear preference on the subject in question, except where they specifically describe the proportion of total responses received that did or did not make a comment).

1. What do you see as the advantages and disadvantages of the inclusion of each of the five measures of efficiency information?

For reference, the five measures of efficiency information proposed were:

(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 (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 spend for the billing authority and the upper tier authority, where relevant, as of the 2009-10 financial year and

(E) 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, as of the 2009-10 financial year. 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

Whilst a number of respondents considered that the inclusion of the five measures of efficiency information (either on the face of the bill and/or in the accompanying leaflet) could increase transparency and enable recipients to benchmark performance, respondents generally were of the view that the disadvantages of including the five measures outweighed the advantages.

The main recurring disadvantages cited in responses were that: the five measures were not easily understood and could lead to confusion about the bill and the bill's purpose; and that there was limited room on the face of the bill to include the five measures (and, to a lesser extent, limited room in existing leaflets). Some respondents felt that confusion would lead to an increase in enquiries from the public and a diversion of resources. Respondents felt that there would be increased costs arising from the proposal, citing the need for things such as changes to software, and additional paper, packaging and postage (as a result of increasing the size of the bill and accompanying leaflet) as sources of additional expense.

To illustrate, the County Councils Network (CCN) summarised their view:

The CCN recognises the importance of efficiency in local government and the need for citizens to be informed and able to hold councils to account in providing value for money. However, the proposals, as set out in the consultation document, would not meet this objective. Indeed, providing efficiency information without making the context clear could lead to misunderstandings and increased dissatisfaction amongst citizens.

2. What do you see as the advantages and disadvantages of the inclusion in the council tax leaflet of the footnote?

For reference, the proposed text of the footnote was:

"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."

Fifty-seven per cent of all responses received addressed this issue. Of these, more than eighty per cent indicated that the text of the footnote proposed in the consultation paper was confusing. A major concern was that the proposed footnote content requires explanation.

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

Only one per cent felt it would be a good idea to include efficiency information on the face of the council tax bill. Respondents indicated that the disadvantages of including efficiency information on the face of the council tax bill outweighed the advantages. For example:

- ninety-eight per cent felt that there was no room on the face of the bill for the information or that the additional information would mean that the bill contained too much detail
- all respondents expressing a clear preference felt that the addition of efficiency information would cause the bill to become confusing; and
- ninety-eight per cent indicated that inclusion of efficiency information would conflict with or confuse the purpose of the bill.

The key advantages and disadvantages expressed in the responses are also referred to at question 1, above.

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

Almost all respondents indicated that none of the efficiency measures would be appropriate to include on the face of the council tax bill, as indicated above (question 3). There was a strong view that there was limited space on the face of the bill and that including efficiency measures on the face of the bill would confuse the bill's purpose in the eyes of the taxpayer.

Eighteen per cent thought it would be useful to include indicator (C) – the highest ranking indicator. The lowest ranking indicator was (D), with only seven per cent stating it would be useful to include.

In relation to this question, the London Borough of Croydon commented:

Croydon recognises that some customers will be interested in the measure (E) NI179 and it welcomes the recognition in the consultation paper that the comparison may, in cases where an authority has relatively low needs and resources per household, be imprecise in relative terms. Croydon endorses the proposal that this measure should be included in the council tax leaflet where there will be sufficient space for explanations.

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

Eighty-four per cent felt it was too late to include efficiency data on the face of the council tax bill for the 2009-10 billing round. However, fifty-seven per cent of the total responses received did not directly address this issue. Most of those that did cited changes to printing and software methods and the need for additional resources as matters that would delay implementation until the 2010-11 billing round.

6. What are the advantages and disadvantages of including such a reference [to the location of efficiency information in the accompanying leaflet] on the face of the council tax bill?

Seventy-four per cent of all responses received addressed this issue. Of these, forty-one per cent agreed that a footnote on the face of the bill would be useful for example as a way of drawing recipients' attention to the accompanying leaflet. Fifty-nine per cent felt the opposite was true, citing that even the addition of the footnote would upset the existing format of bills, therefore requiring adjusted typesetting and other additional costs to effect the change.

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

Fifty-seven per cent of all responses received commented on this issue. As with the response to question 5, many respondents indicated that it was too late to change the council tax bill for the 2009-10 billing round. Respondents again indicated that, if changes to the face of the bill were required, they would need time to implement the change and change existing software and typesetting.

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

Seventy-seven per cent of all responses received addressed this issue. Of these, sixty-two per cent felt that the inclusion of efficiency information in the accompanying leaflet was a good idea. Some key results included:

- sixty-eight per cent indicated that leaflets are a useful vehicle for the provision of performance information
- seventy-one per cent felt that the inclusion of efficiency information would promote accessibility of information; and
- thirty-six per cent felt it was too late to change their existing leaflets, though this was not an issue raised by almost half the total responses received.

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

10. We welcome comments on this potential approach [to reporting efficiencies achieved by police authorities]

Police and Fire and Rescue Authorities were generally supportive of efforts to increase transparency but did not support the inclusion of their efficiency information in Council Tax bills. Some did however support the publication of such information in either the accompanying leaflet, or their own leaflets which are sent out with bills.

The common objection to the proposal was that these authorities are already subject to their own reporting requirements under legislative and regulatory schemes. They felt that the use of their efficiency information on Council Tax bills or in the accompanying leaflet would be confusing, costly, not useful to the taxpayer, and not well aligned with the purpose of those publications.

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

Councils involved in reorganisation in 2009 strongly represented that their concerns about including the measures proposed would be exacerbated for next year's bills. Some also cited that the figures would not be meaningful given that the councils they referred to would have been abolished.

Overall, two-thirds of respondents did not comment on this question, with the remaining third divided equally as to whether such councils should have to include efficiency information in the 2009-10 billing round.

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

Around one-third of all responses received addressed this issue. Of these, nearly two-thirds indicated that they agreed with the approach described in the consultation paper that the Department should provide the information to be included with bills. Ninety-seven per cent felt that local flexibility on information was preferred. Trafford Metropolitan Borough Council commented:

As it is the local authority faced with collecting the council tax it should be free to design the bill in the most appropriate manner. Any confusion over the bill could result in a poorer collection performance.

A number of respondents commented that they would like more information about when the information would be provided. Some respondents indicated that they would prefer to use their own data and others indicated they would need time to compare their data with that provided by the Department.

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.

Fifty-seven per cent of all responses received addressed this issue. Of these, sixty-nine per cent indicated that the Department should provide guidance to local government to assist with the transition from current regulations to new legislation. A number of respondents indicated that the amount or level of guidance required would depend upon how detailed and clear the new legislation was.

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

Forty-five per cent of respondents stated that costs would be incurred to include efficiency data either on the face of the bill or in the accompanying leaflet but did not provide any estimated figures. A further six per cent indicated that they would need further information before working out estimated costs. However, 19 per cent of respondents were able to provide estimates of likely costs, though these varied in scale to some extent.

The Department has taken into account all of these responses when calculating its best estimate for the net additional costs that will be incurred by councils, and these will be fully funded by means of a grant paid under Section 31 of the Local Government Act 2003.

Annex B

Mock-up of how Efficiency Information might be presented

This annex presents a mock-up of how the efficiency information to be required by regulation to be included on the face of council tax bills and in the accompanying leaflet might be presented. The regulations will not specify the layout to be used, so these mock-ups are only indicative, and should not be considered obligatory.

On the face of the bill

The next two pages show two alternative mock-ups of how efficiency information could be presented on the face of the council tax bill. The first illustrates the minimum that will be required by regulations (so would minimise the space needed on the face of the bill). The second shows how additional information could be included to provide greater context for the council tax payer.

South Wessex District Council
Swan Lane
Long Newton
Old Town

Date

Mr & Mrs C Tax
 2 Council Street
 Somewhere in Wessex
 WX7 9BL

Account Number xxxxxxxxxxxx
 Property Reference xxxxxxxxxxxx
 Valuation Band E

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	£1,190.00	+3.7%
South Wessex District Council	£150.00	+2.9%
Wessex Fire and Rescue Authority	£120.00	+3.3%
Wessex Police Authority	£190.00	+3.5%
Newton Parish	£100.00	+3.9%
Special Expenses	£10.00	+3.6%
Total	£1,760.00	+3.5%

Council tax for period 1 April 2009 to 31 March 2010: £1,760.00
 Less single person discount (25%) £440.00

Amount payable	£1,320.00
-----------------------	------------------

Forecast efficiency savings	By March 2009	as a % of 2007-08 spend
Wessex County Council	£8,956,000	3.2%
South Wessex District Council	£378,000	3.1%
Wessex Fire and Rescue Authority	£556,000	3.0%
These efficiencies equal £87 for the average Band D dwelling		

South Wessex District Council
Swan Lane
Long Newton
Old Town

Date

Mr & Mrs C Tax
 2 Council Street
 Somewhere in Wessex
 WX7 9BL

Account Number xxxxxxxxxxxx
 Property Reference xxxxxxxxxxxx
 Valuation Band E

Council Tax Bill for 2009-10

The annual council tax for your property band is calculated as follows:

Authority	Amount	% change on previous year
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South Wessex District Council	£150.00	+2.9%
Wessex Fire and Rescue Authority	£120.00	+3.3%
Wessex Police Authority	£190.00	+3.5%
Newton Parish	£100.00	+3.9%
Special Expenses	£10.00	+3.6%
Total	£1,760.00	+3.5%

Council tax for period 1 April 2009 to 31 March 2010: £1,760.00

Less single person discount (25%) £440.00

Amount payable £1,320.00

This bill is payable by instalments as follows:

01.04.2009..... £132.00	01.09.2009..... £132.00
01.05.2009..... £132.00	01.10.2009..... £132.00
01.06.2009..... £132.00	01.11.2009..... £132.00
01.07.2009..... £132.00	01.12.2009..... £132.00
01.08.2009..... £132.00	01.01.2010..... £132.00

Instalments can be paid by direct debit

EFFICIENCY INFORMATION

Councils are required to have regard to economy, efficiency and effectiveness in their actions. An efficiency saving occurs when the cost of an activity falls, but its effectiveness is not reduced. By the end of March 2009, efficiency savings achieved since April 2008 are forecast to be:

	Saving	as a % of 2007-08 spend
Wessex County Council	£8,956,000	3.2%
South Wessex District Council	£378,000	3.1%
Wessex Fire and Rescue Authority	£556,000	3.0%

These efficiencies equal **£87** for the average Band D dwelling

In the accompanying leaflet

This mock-up includes all the information that would be required to be included as from the 2010-11 billing round; for the 2009-10 billing round, the data about the year two years previously would not be required. It also includes references to material that will not be required by regulation, but which a council might feel provides helpful contextual information for readers.

South Wessex District Council		
Becoming More Efficient		
In 2009-10, South Wessex has worked with neighbouring councils and Wessex County Council to delivery several important efficiency projects, which have enabled significant improvements in service delivery (<i>projects described further</i>).		
All councils are required to measure and report the value of efficiency savings they have achieved since April 2008. An efficiency saving occurs when the cost of an activity falls, but its effectiveness is not reduced. The table below shows the value of efficiency savings achieved by the end of March 2009 and forecast to be achieved by the end of March 2010:		
	By March 2009	By March 2010
South Wessex District Council	£378,000	£756,000
Wessex County Council	£8,956,000	£17,912,000
Wessex Fire and Rescue Authority	£556,000	£1,112,000
To put these figures into perspective, the efficiency savings forecast to be achieved by March 2010 represent:		
<ul style="list-style-type: none"> • 6.2% of South Wessex District Council's spending in 2007-08 • 6.1% of Wessex County Council's spending in 2007-08 • 6.0% of Wessex Fire and Rescue Authority's spending in 2007-08 		
The table below shows the value of gains forecast to be achieved by March 2010 for the average Band D dwelling and compares that with the average figure for similar authorities across England:		
	Saving per Band D dwelling	National average for similar authorities
South Wessex District Council	£22	£24
Wessex County Council	£81	£79
Wessex Fire and Rescue Authority	£5	£6
Each year, councils are assessed by the Audit Commission on their use of resources and given a score out of 4 (4 being "performing strongly" and 1 being "inadequate performance"). In January 2009, South Wessex District council scored 4 and Wessex County Council scored 3, recognising the strong performance of both councils on making efficiency savings and improving services.		

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 Fire AES by Fire and Rescue Authorities) is to express it as a percentage of total expenditure in 2007-08. This annex sets out how we will calculate the figure for “2007-08 baseline total spend” for councils and FRAs⁷.

Calculation for local government

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

C3 We have made allowances for the fact that 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.

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:

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

⁷ 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.

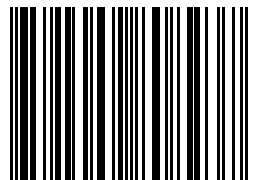
Using 2007-08 RO Form
Total Net Service Expenditure (RS line 699, column 1)
<i>Plus</i> Passenger Transport Authority and Waste Disposal Authority (RS lines 722, 724)
<i>Minus</i> Nursery, Primary, Secondary and Special Schools, Police Services, and Fire & Rescue Services (RO1 lines 10, 20, 30, 40, and RS lines 601, 602)
<i>Minus</i> GLA Transport Grant; Education Maintenance Allowance; Higher Education Funding Council payments; Learning and Skills Council grants; Mandatory Student Awards; DVLA Trading Fund; Fire Services; Countryside Commission Grant; and Building Safer Communities (RG lines 221, 711, 713, 715, 716, 717, 718, 719, 756, 771, 780)
Using 2005-06, 2006-07 and 2007-08 COR Forms
<i>Plus</i> Average of Total Capital Expenditure for the last three financial years (COR1&2 line 46, column 9)
<i>Minus</i> Average of Primary, Secondary and Special Education, Fire & Rescue, and Police expenditure for the last three financial years (COR1&2 lines 1, 2, 3, 42, 43, column 9)

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. Therefore, the baseline would simply be RS line 602 of the 2007-08 RO form.

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