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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE</b>	<b>AGENDA ITEM: 6</b>
<b>DATE OF MEETING:</b>	<b>28th JUNE 2007</b>	<b>CATEGORY: RECOMMENDED</b>
		<b>OPEN</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF CORPORATE SERVICES</b>	
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (595811)</b>	<b>DOC:</b> u/ks/efficiency/f&m update june07
<b>SUBJECT:</b>	<b>ANNUAL EFFICIENCY STATEMENT and PROGRESS 2006/07</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That the progress and current plans for future efficiency savings be considered and noted.
- 1.2 That the savings made in 2006/07 be incorporated into the Council's Annual Efficiency Statement and submitted to the Department for Communities and Local Government.

## **2.0 Purpose of Report**

- 2.1 To table an analysis of efficiency savings made to-date that will form the basis of the Council's Annual Efficiency Statement. It is proposed to submit this to the Government under the "Gershon" Agenda by 5<sup>th</sup> July 2007.
- 2.2 In addition, the report sets out overall progress in meeting the Council's efficiency target to 2008.

## **3.0 Detail**

- 3.1 Under the Government's efficiency (Gershon) agenda, which arose out of their Comprehensive Spending Review in 2004, all councils were set a yearly efficiency target of 2.5%. This is a year on year target for the 3-years 2005/06 to 2007/08.
- 3.2 For South Derbyshire, this amounts to approximately £230,000 per year and £710,000 by 2007/08. Of this, at least 50% must be "cashable." Non-cashable efficiencies are those arising from more productive time, more

efficient processing of transactions and increases in the quality of services (where measurable).

- 3.3 This reflects that efficiency is not just about saving money, but also relates to getting more out of existing resources, increasing quality and improving value for money.
- 3.4 The efficiency agenda set out for local government is underpinned by a number of core basic principles. Some of these are set out below.

### **Efficiency Principles**

- Efficiencies should be sustainable (i.e. at least 3-years) although one-off efficiencies are allowed.
- Councils need not make 2.5% efficiencies in every year, as long as they remain above their cumulative target.
- Budget cuts or a pure reduction in services (although valid locally) are not efficiencies.
- Efficiency is about measuring yourself against previous performance and should be a self-assessment, but which stands up to audit.
- Fees and charges can generate efficiency gains in certain circumstances, but this excludes price increases and implementation of new charges. Increased demand and interest on sales of surplus assets are allowed.
- Efficiencies should be backed up by quality cross checks.
- A light touch and balanced approach to reporting and ideally, annual statements should be approved by members.

### **Reporting to-date**

- 3.5 In April 2005, all councils were required to submit a Forward Look Statement to the Government. This was intended to set out how the first annual target for 2005/06 was to be achieved.
- 3.6 In June 2005, councils were then required to submit what was effectively an interim statement, detailing efficiencies gained in 2004/05, which the Government had allowed to be counted towards the first year, 2005/06.
- 3.7 In April 2006, councils were required to submit a second Forward Look Statement. This was intended to set out the broad strategy and key actions for achieving the annual target for 2006/07 and the overall target by 2007/08.

3.8 The key actions identified for South Derbyshire were:

- Procurement
- Further development of the Customer First Service
- Expanding the use of the web site
- Greater electronic service delivery
- Disposal of assets surplus to requirements.

### **Actual progress to-date**

3.9 **Appendix 1** sets out a record of efficiencies made to-date. The figures for 2004/05 and 2005/06 are those that have already been submitted and approved in line with previous returns as detailed above.

3.10 The figures for 2006/07 are effectively the statement that will be submitted to the Government in July. Appendix 1 is the central and corporate record of efficiencies made to achieve the Gershon target by 2007/08.

3.11 Several of these have already been reported in financial monitoring reports during 2006/07 and through the 2007/08 budget-round. The statement indicates how/where the cashable savings have been taken account of in the council's budget and medium term financial plan, where applicable. It also references each area to a quality cross check, such as a BVPI.

3.12 The bottom-line efficiencies (counting towards the Council's target) totalled in excess of £1.3m at the end of 2006/07, around £888,000 above the target. Approximately  $\frac{3}{4}$  of this (the £1.3m) was cashable.

### **Treatment of Cashable Savings**

3.13 It is important to note that although these efficiencies are "cashable" it does not automatically follow that they provide additional resources in the Council's budget.

3.14 Clearly, the savings made on re-tendering the contract for insurance provision for instance, generated lower prices and a saving in the Council's base budget. This was reflected in the resources available during the 2006/07 budget-round.

3.15 However, efficiencies made through the Derbyshire Partnership for developing the Council's web site and CRM system for example, will not be reflected in the Council's budget.

3.16 The Council incurred a cost for this – the efficiency recorded represents the amount by which the Council saved through the Partnership rather than having to procure these works alone (effectively the Council got more for its money).

3.17 A significant amount of the efficiencies made to-date are on going and current efficiencies are projected to total nearly £1.9m by 2008, over £1m

above the overall target. Several of the on-going efficiencies will fluctuate year to year due to activity/volume levels, inflation and interest rates.

3.18 Nevertheless, the Council as previously reported is still projected to be well above its overall target of £3/4m.

3.19 In addition, this does not include further efficiencies which are planned over the next 2-years. These were previously reported as part of the Forward Look Statement in April 2007.

#### **4.0 Financial Implications**

4.1 As set out in the report.

#### **5.0 Corporate Implications**

5.1 None directly.

#### **6.0 Community Implications**

6.1 None directly.

#### **7.0 Background Papers**

- Measuring and Reporting Efficiency Gains – A Guide to Completing Annual Efficiency Statements (Department for Communities and Local Government).