
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE	AGENDA ITEM: 17
DATE OF MEETING:	22nd JUNE 2006	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/efficiency/F&M update june06
SUBJECT:	ANNUAL EFFICIENCY STATEMENT and PROGRESS 2005/06	REF:
WARD(S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the Council's Annual Efficiency Statement for 2005/06 be approved for submission to the Department for Communities and Local Government.
- 1.2 That the progress and plans for future efficiency savings be considered and noted.

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, which will need to be submitted to the Government under the "Gershon" Agenda by 6th July. In addition, to set out overall progress in meeting the Council's efficiency target to 2008, including plans to achieve further efficiencies.

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 an 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 some 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

- 3.4 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.
- 3.5 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. At that time, South Derbyshire submitted efficiencies totalling £66,500, of which £44,500 was cashable.
- 3.6 This included savings made from price reductions on re-letting planned maintenance contracts in Housing, replacing the telecoms system, together with a reduction in the Council's sickness absence rate (non-cashable).
- 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
 - Introducing paperless direct debits
 - Disposal of assets surplus to requirements.

Actual progress to-date

- 3.9 **Appendix 1** sets out a record of efficiencies made to-date. This is effectively the statement that will be submitted to the Government and brings together a record of efficiencies.
- 3.10 Several of these have already been reported in budget monitoring reports during 2005/06 and through the 2006/07 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.
- 3.11 The bottom-line efficiencies (counting towards the Council's target) totalled approximately £532,000 at the end of 2005/06, some £292,000 above the target. Approximately 90% of this was cashable.

Treatment of Cashable Savings

- 3.12 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.
- 3.13 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. As reported, this was reflected in the resources available during the 2006/07 budget-round.
- 3.14 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.
- 3.15 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).
- 3.16 A significant amount of the efficiencies made to-date are on going and current efficiencies are projected to total approximately £1.2m by 2008, some £1/2m above the overall target. Several of the on-going efficiencies will fluctuate year to year due to activity/volume levels, inflation and interest rates, but nevertheless, the Council is projected to be well above its overall target of £3/4m.
- 3.17 In addition, this does not include further efficiencies which are planned over the next 2-years. These are detailed in the **second part of Appendix 1 (page 6)** and include those submitted as part of the Forward Look to 2007/08.

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).



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