
REPORT TO:	FINANCE AND MANAGEMENT COMMITTEE (Special – Final Accounts)	AGENDA ITEM: 6
DATE OF MEETING:	26th JUNE 2008	CATEGORY: RECOMMENDED
REPORT FROM:	DIRECTOR OF CORPORATE SERVICES	OPEN
MEMBERS' CONTACT POINT:	KEVIN STACKHOUSE (595811)	DOC: u/ks/efficiency/f&m update june08
SUBJECT:	ANNUAL EFFICIENCY STATEMENT 2007/08	REF:
WARD (S) AFFECTED:	ALL	TERMS OF REFERENCE: FM 08

1.0 Recommendations

- 1.1 That the savings made in 2007/08 be incorporated into the Council's Annual Efficiency Statement and submitted to the Department for Communities and Local Government.
- 1.2 That the progress and current 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. It is proposed to submit this to the Government under the "Gershon" Agenda in July 2008.
- 2.2 In addition, the report sets out an overall analysis against the Council's efficiency target to 2008 and updates progress and proposals to carry the efficiency agenda forward to meet the new national framework for value for money.

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 was a year on year target for the 3-years 2005/06 to 2007/08.

- 3.2 For South Derbyshire, this amounted to approximately £230,000 per year and £710,000 cumulatively, by the end of 2007/08. Of this, at least 50% was to be “cashable.”
- 3.3 Non-cashable efficiencies are those arising from more productive time, more efficient processing of transactions and increases in the quality of services (where measurable).
- 3.4 This reflects that efficiency is not just about saving money, but also relates to getting more out of existing resources, increasing quality and improving overall value for money.
- 3.5 The efficiency agenda set out for local government is underpinned by a number of core basic principles which are set out below.

Efficiency Principles

- Efficiencies should be sustainable (i.e. at least 3-years) although one-off efficiencies are allowed.
- Councils do not have to 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 Requirements

- 3.6 Prior to each year, all councils are required to submit what is called a “Forward Look Statement” to the Government, which sets out planned services for the year ahead. After the end of the year, a “Backward Look Statement” is submitted which reports actual performance.

The Council’s Strategy

- 3.7 In order to meet the national efficiency agenda and to deliver better value for money locally, the Council identified several key areas on which it has delivered efficiencies. These are.

- Procurement – buying in goods and services and service reviews
- 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

- 3.8 **Appendix 1** sets out a record of efficiencies made to-date. The figures for 2004/05 to 2006/07 are those that have already been submitted and approved in line with previous returns as detailed above.
- 3.9 The figures for 2007/08 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.
- 3.10 Consequently, many of these have already been reported in financial monitoring reports. 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.

Final Performance over the 3-year Period

- 3.11 The bottom-line efficiencies (counting towards the Council’s target) totalled in excess of £1.8m at the end of 2007/08, approximately £1.1m above the target. Approximately $\frac{3}{4}$ of this (the £1.4m) was cashable. A summary is provided in the following table.

Cumulative Savings Made	2005/06 £	2006/07 £	2007/08 £
Target	240,000	470,000	710,000
Actual	666,971	1,280,335	1,832,946
Additional	426,971	810,335	1,122,946

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. 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).

Main Achievements

- 3.16 However, in contrast, it should also be noted that there have been some notable achievements within the overall figure, not least through procurement and the streamlining of corporate type services, where cashable savings have been made and reinvested back into service provision.

Delivering Value for Money in Local Government

- 3.17 The national agenda for delivering efficiencies in local government has now changed. This came out of the Government's 2007 Comprehensive Spending Review.
- 3.18 From April 2008, all public services have been set a target of achieving at least 3% net cash-releasing value for money (VFM) gains per year over 2008/09 to 2010/11. Although non-cashable gains are still relevant and to be encouraged, they will not count towards this target.
- 3.19 The challenge set is to build on progress to-date and embed innovation and value for money in the provision of local services.
- 3.20 Each organisation will be given more flexibility to set its own target that is realistic and relevant to its own needs. However, targets and more crucially actual performance on delivering VFM gains will need to be sufficient enough to withstand external scrutiny.
- 3.21 The target remains a national indicator and local performance will be judged in the Annual Use of Resources Assessment.
- 3.22 Some gains made up to 2007/08 can be carried over against the target, in particular those where the full benefit starts accruing after April 2008.

The Council's Plan

- 3.23 The Council's Corporate Plan has value for money at its centre. The initial targets approved in "priorities for action" are new gains of £100,000 by March 2009 and £1/2m by 2011.
- 3.24 The Strategy for achieving this as set out in the Corporate Plan, includes:
- Reviewing the way that services are commissioned
 - Continuing to streamlining back office processes
 - Asset Management
- 3.25 Specific actions were detailed in the annual procurement review and business improvement programme that were reported to Committee on 1st May.

- 3.26 It is proposed that progress against the value for money target continues to be included in the normal budget and financial monitoring reports to the Committee during the year.

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 The Council's efficiency programme is a key factor in the Council being able to deliver more value for money for the services it delivers – part of its vision for the District.

7.0 Background Papers

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

<http://www.communities.gov.uk/publications/localgovernment/measuringreporting>