

Agenda Item 9

Executive Board

21 June 2006

DP



Delivering efficiency in local services

Summary

From 2005-06, each local authority is expected to achieve 2.5% per annum efficiency gains compared to their 2004-05 budget. Local authorities will have full flexibility on how and where to achieve those gains. This report sets out proposals for 2006-07.

Recommendation

That the Annual Efficiency Statement for 2006-07 be adopted

a) Reasons for Recommendation

To comply with the central government target to achieve efficiency gains of 2.5% and to give a strong message of the Council's resolve to achieve value for money.

b) Alternative Options

To look to make efficiency gains from others areas of council activity.

c) Risk Considerations

Failure to meet this Government target will have an adverse impact on the CPA, Use of Resources judgement.

d) Policy and Budgetary Considerations

As outlined in the report.

1 Background to the efficiency agenda

- 1.1 The efficiency agenda is about improving productivity – getting more from the same resource, or achieving the same results from less resource. Cuts in service do not count as efficiency gains.
- 1.2 The Spending Review 2004 set local government the target to achieve efficiency gains totalling £6.45bn by 2007-08. In each of the three years, each local authority is expected to achieve 2.5% per annum efficiency compared to their 2004-05 budget. Local authorities will have full flexibility on how and where to achieve those gains.
- 1.3 At least half of the efficiency gains made should be cashable, which means they release funding for use elsewhere, either for reinvestment in frontline services or holding down council tax.
- 1.4 It is essential that the efficiency agenda is owned by the authority. As part of the embedding process the Leader, Chief Executive and Chief Finance Officer (section 151 officer) will see,

certify and approve the Annual Efficiency Statement (AES). Following the practise of last year the 2006-07 statement is attached.

2. Measuring and reporting efficiency gains

- 2.1 Local authorities will report the gains that they have made through an AES. This will include a forward-looking part, where authorities will outline their expected efficiency gains and the strategy for achieving them, and a backward-looking part on the efficiency achieved in the previous year.
- 2.2 From 2006 the backward looking AES, covering 2005-06, will support the Council's value for money (VFM) self assessment. VFM is one of the five Key Lines of Enquiry which make up the Use of Resources judgement. In 2005-06 the Council met the Audit Commission's minimum requirements with a score of 2 out of 4.

3. Definition of Efficiency

- 3.1 Efficiency is about raising productivity and enhancing value for money. This is achieved by one or more of the following:
 - Reducing inputs (money, people, assets etc) for the same outputs.
 - Reducing prices (procurement, labour costs etc) for the same outputs.
 - Getting greater outputs or improved quality (extra service, productivity etc) for the same inputs, or,
 - Getting proportionately more outputs or improved quality in return for an increase in resources.
- 3.2 The first two bullet points above represent cashable gains, releasing money that can be used elsewhere, whereas the final two do not.
- 3.3 Efficiency is not about cuts. A cut can be characterised as a significant reduction in the availability or quality of a particular service that the public receive and value. While councils may have to face hard choices and sometimes implement cuts, the savings that accrue from these will not count as efficiencies.

4. Requirements from baseline expenditure

- 4.1 The requirement for councils is to achieve 2.5% per annum improvements on their 2004-05 budget, of which at least half should be cashable. By 2007-08, efficiency gains equivalent to 7.5% of the 2004-05 budget should be achieved.

5. What does it mean for East Devon?

- 5.1 The 2004-05 baseline on which the efficiency target is calculated is the Council's combined net revenue and capital budgets for that year of £20.6m. The expectation therefore is that the Council will achieve efficiency gains of £1.55m over the 3 years. For 2006-07 the requirement is £0.51m.

6. Meeting the efficiency target

- 6.1 The LSPG exercise, together with other decisions taken by the Executive Board, delivered the efficiency gains required in 2005-06. Provisionally estimated at £0.536m they included:
 - Review of sport centres duty management and operational arrangements.

- Reduction in council housing void periods resulting in additional rent income.
- Restructuring with the Finance, Economic and Property, Organisation and Development, Legal and Member Services sections together with reductions in ICT supplies and services and equipment costs.
- Savings through a review of utility charges, the electronic ordering of goods and services, use of purchase cards and an increase in the number of payments via the web, telephone and BACs routines.
- Maximise productive work time through absence management.
- Merger of the Housing Benefits and Revenue teams together and improved cash flow.

6.2 It is anticipated that the savings achieved in 2005-06 will in the main be ongoing in subsequent years. The actual figure, which will be the subject of scrutiny by the Audit Commission, has yet to be finalised. An electronic return to the Department for Communities and Local Government is required by 7 July.

6.3 Building on 2005-06 the requirement is to identify further savings in 2006-07 to bring the minimum achieved for the two years to £1.03m. The most significant areas where further savings of £0.81m are to be realised are:

- Further reduction in council housing void periods resulting in additional rent income.
- Reduction in the cost of communications, printing and postages.
- Procurement of refuse and recycling service.
- Further improvement in productive work time.
- Improved cash flow through higher collection rates.

A copy of the forward looking 2006-07 efficiency statement is attached.

6.4 If achieved the above mentioned savings will put the Council well on course to meet the 3 year target of £1.52m.

6.5 The approach to reporting and measurement, which has been endorsed by the Audit Commission, CIPFA and local government, balances the need for robust information on efficiency gains whilst not placing an undue burden on councils. In recognition of that guiding principle no attempt has been made here to record all of the numerous, across service, initiatives being taken to improve efficiency.

6.6 With regard to year 3 it is anticipated that a saving will have resulted from the decision to establish a Trust to deliver leisure services. Here the annual contribution from the Council has been fixed at 2006 prices for a 5 year term. In addition further sums can be expected from the continuing development of the ICT infrastructure.

Legal Implications

There are no apparent legal implications which are not disclosed in this report.

Financial Implications

As detailed in the report

Consultation on Reports to the Executive

No consultation undertaken

Background Papers

- Annual Efficiency Statement – Forward Look

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