

Agenda Item

Executive Board

6 August 2008

SD



Delivering efficiency in local services

Summary

From 2005/06 for a period of 3 years, each local authority was expected to achieve 2.5% per annum efficiency gains compared to their 2004/05 budget. Local authorities had full flexibility on how and where to achieve those gains. This report sets the Council's achievements for that period and considers the next three years targets as set within the 2007 Comprehensive Spending Review (CSR07) period.

Recommendation

That the Annual Efficiency Statement for the end of 2007/08 is approved and consideration is given to efficiency targets for the period 2008/09 to 2010/11

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 CAA, 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 £6.45 billion 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 had 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.

2. Definition of Efficiency

2.1 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.

2.2 The first two bullet points above represent cashable gains, releasing money that can be used elsewhere, whereas the final two do not.

2.3 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.

3. Measuring and reporting efficiency gains – East Devon

3.1 Local authorities are required to submit the gains that they have made through an Annual Efficiency Statement (AES) Government. This Statement is required to be approved by the Leader, Chief Executive and Chief Finance Officer (section 151 officer).

3.2 The AES for 2007/08 had to be submitted by 8 July 2008 giving the cumulative savings for Councils for the three year period 2005/06 to 2007/08. This Council's statement is attached and shows cumulative savings of £1.726 million against a target set by Government of £1.550m. The initiatives/activities recorded in this statement are only the significant, readily documented and easily evidenced areas of efficiencies all of which are cashable, i.e. real cash savings. Other initiatives it is certain will have taken place in the period but the administration and time of recording them was not necessary as the Council had surpassed its target. Cumulative savings brought forward from 2005/06 and 2006/07 totalled £1.430 million, to this has been added £0.296 million in new efficiency savings achieved in 2007/08. The three main areas of efficiency in 2007/08 were:

- £38,000 saving in the Leisure Services transfer to a Trust on a fixed 5 year contract sum. The first year contract sum equated to the existing deficit budget provision with efficiency targets set in order to absorb inflationary increase of future years.
- £90,000 saving in the purchase of 17,000 refuse containers for the first stage rollout of new recycling and refuse scheme. The containers were purchased through an e-auction event hosted by this Council in collaboration with the South West Centre of Excellence and is valid for future purchases.
- £166,000 by continuing to improve council tax collection by various initiatives has increased cash flow and importantly enabled the council for the third year running to substantially reduce its bad debt provision.

4. 2007 Comprehensive Spending Review (CSR07)

4.1 The efficiency agenda has now moved on with the Comprehensive Spending Review 2007 (CSR07) covering the period 2008/09 to 2010/11 requiring local government to deliver efficiencies of 3% each year, all of which must be cashable. This uses 2007/08 as the baseline year for comparison.

- 4.2 Unlike the previous regime this national expectation has not been translated into specific targets for individual councils however efficiency activity will almost certainly be monitored by the Audit Commission through the use of resources judgment, which will form part of the Comprehensive Area Assessment. A 'good' performing authority would be expected to demonstrate that they use best procurement practices, (which meet the requirements of procurement and equalities legislation), know where the greatest benefits can be gained and acts on these effectively. Councils would also be expected to be actively pursuing opportunities for joint procurement with partners, such as shared services, in order to improve value for money. Their procurement decisions would seek to achieve the greatest benefit to the wider community, for example by securing economic, social or environmental benefits.
- 4.3 There are 5 key themes put forward to drive efficiency and innovation through service transformation and the measures this Council is presently pursuing in each area are set out in the following paragraphs.

- Redesign service delivery around customer needs

A fundamental and systematic review of all Council services, based on principles developed by specialists at Vanguard Systems Thinking, has commenced. This approach means that we will design our work against what we know matters to our customers. Systems thinking will ensure that we are able to understand whether our customers are coming to us with value demand (because they need something) or demand which we should have prevented. The Systems thinking approach is fundamentally changing our culture as staff and managers work very closely together to ensure that the work works and that the customer is put at the heart of all we do.

- Collaboration with partners

Whatever the outcome of the boundary committee's review of the structure of local government in Devon the potential for developing shared services with neighbouring councils is significant. At the present time that element of collaborative working is on hold. The one activity of partnership working currently being developed centres on the refuse and recycling service where the council is moving from a traditional contract to an 'open book' accounting arrangement with its contractor.

The enhanced service is to be rolled out across the district in a number of stages. With the revision of collection rounds, coupled with an increase in the range of recyclable materials collected, a range of issues are anticipated. It is envisaged the less formal relationship will allow the partners to develop a closer working relationship, concentrating their efforts to improving the service and its cost effectiveness, not merely focused on the budget.

- Smart procurement and use of competition

With an annual spend on services of £23 million plus there is significant potential to free cash which would then be available for spending on front line services. Unlocking savings will often require time and experience accordingly the Council has approved the appointment of a procurement officer. Their task will be to identify potential opportunities, to research framework agreements, to explore collaborative/partnership working, to develop electronic ordering, tendering and payment processes, to promote the use of purchase cards and more.

- Better use of technology

Customer focus – by analysing system requirements, points of contact with our customers and the flow of information, in whatever format, ensure that systems are designed to meet the expectations of those dealing with the Council.

Access to services – for the benefit of both the Council, and those dealing with it, develop cost effective means by which information is communicated, services delivered and transaction processed.

Improving and sharing data –minimising the duplication of data entry by the use of a single local land and property register and, where appropriate and legal, by sharing across services personal information supplied to the Council.

Review of communication links – developing the computing and communication infrastructure to improve and provide more flexible working arrangements in Council buildings and remote locations.

- **Asset Management**

The Council's Asset Management policy is currently under review with particular focus on the following:-

- Ensuring that retained assets are suitable for their proposed/existing use, are fit for purpose and support improved service delivery
- Ensuring that assets are managed efficiently and that initiatives to improve efficiency are identified and implemented
- Ensuring that the disposal of surplus assets links with the Financial Strategy and that the retention of assets is rigorously tested against the Council's retention criteria

4.4 As stated there is no longer an efficiency target for each council, there is however a newly introduced national value for money indicator to record "The total net value of ongoing cash-realising value for money gains that have impacted since the start of the 2008/09 Financial Year". Councils will be required to submit figures for the indicator twice a year, starting October 2008 with a forecast position for the end of the financial year and then again in July 2009 to report the actual position.

4.5 The 5 themes above are the driver for the Council to achieve efficiencies and consideration is required on the targets to be set around these areas and in turn the Council as a whole. Further debate and details are required on this before a future report is made to the Executive Board for consideration.

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

A further report will be submitted to the Executive Board relating to the new Value for Money National Indicator.

Background Papers

- Annual Efficiency Statement – Backward Look 2007/08

Simon Davey
Head of Finance