

EXECUTIVE

DATE: 10TH APRIL 2006

SUBJECT: ANNUAL EFFICIENCY STATEMENT – YEAR 2
FORWARD LOOKING STATEMENT

REPORT BY: CORPORATE DIRECTOR, RESOURCES

CONTACT OFFICER: STEVE HEAPPEY 01582 - 546281

IMPLICATIONS:

LEGAL	✓	STAFFING	✓
EQUALITIES		COMMUNITY SAFETY	
FINANCIAL	✓	RISKS	
OTHER			

CONSULTATIONS:

COUNCILLORS CONSULTED	✓	SCRUTINY COMMITTEE CONSULTED
STAKEHOLDERS CONSULTED	✓	OTHER

WARDS AFFECTED: All

LEAD EXECUTIVE MEMBER(S): COUNCILLOR HOWES

RECOMMENDATION(S)

1. Executive is recommended to:
 - (i) Note the Report
 - (ii) Approve the Forward Looking Statement attached at Appendix A
 - (iii) Delegate Authority to the Director of Resources and Chief Executive in consultation with the Executive Member with Portfolio responsibility for Finance and Information to make such further changes to the statement which may be required to update the information prior to it's submission to the Office of the Deputy Prime Minister

- (iv) **Authorise the Corporate Director, Resources to submit the Forward Looking Statement to the Office of the Deputy Prime Minister**

The Annual Efficiency Statement (AES)

The Background

2. As part of the 2004 Spending Review, the Government set a target for efficiency gains in local authorities of 2.5% per annum for the next three years (equating to £6.45b by 2007/8)
3. This requires the Council to save 2.5% per annum over the three years 2005/6 – 2007/8 compared with 2004/5 as the baseline. At least half of these savings must be “cashable”, meaning that they release funding which can potentially be used for other services or to help reduce the amount needed for taxation.
4. As part of a new reporting regime introduced by the Government, the Council has already submitted a *forward looking* AES summarising savings originating in 2005/6 and a *backward looking* AES for savings originating in 2004/5 along with a mid year review showing progress. The format of the Statements is prescribed by the Office of the Deputy Prime Minister (ODPM).
5. The Council's Statements forecast efficiency savings in 2005/6 totalling £4.1m of which £3.4m is cashable, which exceeds the target prescribed of 2.5% of qualifying revenue
6. Local Authorities are encouraged to collaborate to achieve savings and Regional Centres of Excellence have been formed to assist in this process. The ODPM have issued guidelines and a technical note to help local authorities understand an evolving process.
7. The technical note comments that “efficiency is not about cuts, but raising productivity and enhancing value for money”. The note goes on to define efficiency gains as when projects achieve one or more of the following:
 - a. Reducing inputs (money, people, assets etc.) for the same outputs;
 - b. Reducing prices (procurement, labour costs etc.) for the same outputs;
 - c. Getting greater outputs or improved quality (extra service, productivity etc.) for the same inputs
 - d. Getting more outputs or improved quality in return for an increase in resources that is proportionately less than the increase in output or quality.
8. The timetable for the process is as follows:
 - a. by 14th April 2005 – *forward looking* AES setting out efficiency gains originating in 2005/6

- b. by 15th June 2005 – *backward looking* AES setting out efficiency gains achieved in 2004/5 which will carry forward in 2005/6 and contribute to the savings target
- c. by 17th November 2005 – mid-year update on progress to ODPM using an on-line self-completion questionnaire (nb not required for “excellent” authorities)
- d. by 14th April 2006 – “forward looking” AES for 2006/7
- e. by 15th June 2006 – “backward looking” AES confirming efficiency savings achieved in 2005/6
- f. and cycle continues for the three years 2005/6 through to 2007/8
- g. Maintain auditable records to support the AES process. The Audit Commission will, from 2006, audit the AES and it will be part of the evidence base used for Comprehensive Performance Assessment (CPA) in the future.

The Target

9. The target is calculated with reference to the baseline of 2004/5 expenditure. It therefore includes 2004/5 service expenditure and net capital spend. Transfer payments such as gross expenditure on rent allowances and other benefits) are not included in the baseline and specific one-off grants are also excluded.
10. The Council has flexibility in how the efficiency gains are achieved so long as at least 1.25% per annum is cashable.
11. ODPM originally calculated the 2004/5 Baseline using estimate numbers but this has now been recalculated using actual outturn as follows:
 - Total Service Expenditure (£,000) 263,286
 - Schools (£,000) 133,543
 - Grants (£,000) 764
 - Capital Contribution (£,000) 35,690
 - Total Spend (£m) 144.3

The 2.5% calculation equates to £3.6m and the target over three years is summarised below:

	Year on year targets (£000's)	Total improvement relative to 2004/5 (£000's)	Year on year target for cashable efficiency gains (£000's)	Total cashable improvement relative to 2004/5 (£000's)
2005/6	3,607	3,607	1,803	1,803
2006/7	3,607	7,214	1,803	3,607
2007/8	3,607	10,821	1,803	5,409

The Strategy

12. The Council identified savings in its annual Budget for 2005/6 and now 2006/7 which together with further savings originating in 2004/5, will substantially achieve the target gains for these years.
13. The Council has invested substantially in new infrastructure and ways of working through for example its e-Government and Customer Service Centre programmes and made provision in its 2005/6 Budget to bring additional capacity to realise significant efficiency benefits under the heading of Resourcing Transformation.
14. The Council has partnered with ATOS Origin in a one year proving programme to realise significant and sustainable efficiency savings through a cross cutting and authority wide programme of transformation projects. These include more effective procurement and transforming organisation and processes initially in Adult Social Services, to most effectively deliver service excellence. These savings are predicted to occur substantially from 2006/7 onwards and therefore appear in this Statement for the first time.
15. The Council will actively seek collaboration and partnership working wherever it is appropriate to deliver efficiency and service improvement. Collaborative working with Hertfordshire authorities on e-Procurement and developing a local market place and with authorities through the Regional Centre of Excellence in e-Auctions have already delivered significant savings and there are many other examples of this across the Council in the Borough, regionally and nationally across every sector.
16. The Council's Budget Challenge Group (BCG) comprising of senior Officers including the Chief Executive, Corporate Director, Resources and Heads of Corporate Finance and Performance, Resources & Assets coordinate the Council's Budget realisation and programmes and projects to achieve these committed savings. BCG will coordinate, monitor and regularly review progress and provide updates to Chief Officers and Members.

The Key Actions

17. Key actions to deliver the strategy and at least the Council's targeted efficiency savings include:
 - Monitor and drive actions to deliver savings committed in the 2006/7 Budget and recurring from the 2004/5 and 2005/6 Budgets through the BCG
 - Implement new resourcing and change programmes to support and deliver transformation activity across the Council
 - Drive out savings through the Business Partnership
 - Seek collaborative working opportunities within the Borough, across the Eastern region and beyond with other authorities and organisations directly and through Regional Centre of Excellence.
 - Identify further savings opportunities from local department and corporate initiatives.

REPORT

18. The *forward looking* Statement has been completed using information supplied by each Departments Head of Performance and Resources/Finance Manager following a consolidation and review of qualifying savings from the 2006/7 Budget and other programmes. The information has been consolidated into the format prescribed by ODPM ready for submission using an on-line process, once it has been approved.
19. The *forward looking* Statement is provided as Appendix A and shows savings of £4.7m expected in 2006/7 of which all but £198k will be cashable. This is £1.1m better than the Gershon target this year and builds on the again better than target performance expected in 2005/6. Cumulative savings expected to the end of 2006/7 are £9m which represents 84% of the Council's full three year target achieved by the end of year 2.
20. The *forward looking* Statement reports savings in most areas and includes a contribution from the Business Partnership of £996k. This is expected to increase significantly with more Business Cases to be approved and savings to be confirmed and substantially further in 2007/8 as more programmes produce savings and some for the full financial year. The Statement also includes a further £210k of full year effect savings from 2005/6 where only part year savings were included in previous Statements. The key saving components are summarised in the Statement and more detail is contained in the Budget documents referenced as Background Papers.
21. Expected qualifying savings totals can be summarised as follows

	2.5% target	Achieved/Expected	Variance
	£k	£k	
2005/6	£3,607	£4,341	20% better
2006/7	£3,607	£4,712	31% better
2007/8	£3,607		
3 yr total	£10,821,000	£9,053,000	84% cumulative

23. The information supporting this review has been retained so that it is available for any audit or CPA assessment required.

STAFFING IMPLICATIONS

24. The 2006/7 Budget includes specific savings achieved by headcount reduction. In many cases deleted posts were/are vacant however where people were/are impacted then the Council's formal consultation and redeployment policy and process was/will be applied. Details are contained within the 2006/7 Budget approved by Council.

FINANCIAL IMPLICATIONS

25. The review of saving which together will deliver the target for 2006/7 are summarised in Appendix A.
26. The savings committed in the 2006/7 Budgets are essential to deliver the balanced budget approved by Council. Any saving not fully realised would require action to deliver off-setting new savings. This is coordinated and monitored by the BCG
27. Work to identify and quantify further savings is ongoing and an update to the Statement set out in Appendix A will be provided at the Executive meeting.
28. There are no other financial implications and this has been agreed with the Finance Managers of Corporate & Customer Services, Housing & Community Living, Environment & Regeneration and Children & Learning on March 16th 2006.

LEGAL IMPLICATIONS

29. There are no legal implications to this report and this has been agreed with the relevant solicitor in Legal Services on 20th March 2006.

COUNCILLORS CONSULTATIONS

30. All Members have been consulted on savings now committed for 2005/6 as part of the Budget process.
31. Consultation continues through the appropriate Portfolio Holders, Executive and Scrutiny Committees.

STAKEHOLDERS CONSULTATIONS

32. Other stakeholders have been and will be consulted as required including citizens, staff, trades union representatives and other organisations.

OPTIONS

33. The Executive can approve the *forward looking* Statement as proposed or make any changes it considers appropriate, taking advice from Officers
34. The Executive could decide not to submit the *forward looking* Statement. This would fail to comply with the ODPM's requirement and timetable and is therefore not recommended

APPENDIX

36. The following Appendix is attached to this report:

Appendix A - Annual Efficiency Statement Year 2 *forward looking* Statement

BACKGROUND PAPERS

37. *Forward Looking* Annual Efficiency Statement and Report to the Executive on 11th April 2005
- *Backward Looking* Annual Efficiency Statement and Report to the Executive on 6th June 2005
 - Mid-Year Review Statement and Report to the Executive on 14th November 2005
 - 2006/7 Budget approved by Council
 - 2005/6 Budget approved by Council
 - Guidance from the Office of the Deputy prime Minister including the *Efficiency Technical Note for Local Government* issued in January 2005