

COMMITTEE: BEST VALUE SCRUTINY PANEL
DATE: 11TH OCTOBER 2005
SUBJECT: ANNUAL EFFICIENCY STATEMENT
REPORT BY: ACTING DIRECTOR OF CORPORATE AND CUSTOMER SERVICES
CONTACT OFFICER: STEVE HEAPPEY 546281

IMPLICATIONS:

LEGAL		COMMUNITY SAFETY	
EQUALITIES		ENVIRONMENT	
FINANCIAL	✓	CONSULTATIONS	✓
STAFFING	✓	OTHER	

WARDS AFFECTED: ALL

PURPOSE

1. The purpose of this report is to submit to Members the Forward and Backward Looking Efficiency Statements.

RECOMMENDATION(S)

2. **Best Value Scrutiny Panel is recommended to:**
 - (i) **Note and comment on the report and the Forward and Backward Looking Efficiency Statements.**
 - (ii) **Request progress reports on achieving the targets.**

REPORT

3. As part of the 2004 Spending Review, the Government has 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)
4. This requires the Council to save 2.5% per annum over the next three years 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 from taxation.
5. As part of a new reporting regime introduced by the Government, Executive on 11th April 2005 approved the first *forward looking* AES detailing the Council's expected efficiency savings from initiatives through 2005/6 and this was submitted to the Office of the Deputy Prime Minister (ODPM) on 14th April. This is attached as Appendix B.
6. The Council is required to submit a further *backward looking* Statement detailing efficiency savings initiated in 2004/5 but which recur through 2005/6. This must be submitted to ODPM by 15th June 2005 again using an on-line facility. The format of the Statement is prescribed by ODPM.
7. The Statement at Appendix A to this Report meets this requirement and together with the *forward looking* Report of 11th April 2005 (Appendix B), sets out the Council's proposals which will exceed the required 2.5% in 2005/6.
8. 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 produce the AES however these will undoubtedly evolve and develop through experience and no doubt bring changes to future Statements.
9. 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.

10. The following further steps will be required subsequently:

- e. By 17th November 2005 – mid-year update on progress to ODPM probably using an on-line self-completion questionnaire (nb not required for “excellent” authorities)
- f. By 14th April 2006 – “forward looking” AES for 2006/7
- g. By 15th June 2006 – “backward looking” AES confirming efficiency savings achieved in 2005/6
- h. 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

- 11. 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.
- 12. The Council has flexibility in how the efficiency gains are achieved so long as at least 1.25% per annum is cashable.
- 13. The 2.5% calculation, based upon 2004/5 original estimate figures provided to the ODPM, equates to £3.78m

ODPM calculated the 2004/5 Baseline as follows:

- Total Service Expenditure (£,000) 254,286
- Schools (£,000) 128,676
- Grants (£,000) 552
- Capital Contribution (£,000) 26,194
- Total Spend (£m) 151.3

14. 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	Total cashable improvement relative to 2004/5
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			(£000's)	(£000's)
2005/6	3,780	3,780	1,890	1,890
2006/7	3,780	7,560	1,890	3,780
2007/8	3,780	11,340	1,890	5,670

The Strategy

15. The Council has already identified savings in its annual Budget for 2005/6 which together with further savings originating in 2004/5 will more than achieve the target gains for this year as summarised below:

Area	Expected Annual Efficiency Gain £,000of which cashable £,000
Target Savings	3,780.0	1,890.0
<i>forward looking total</i>	3,322.2	2,551.9
<i>backward looking total</i>	868.8	868.8
<i>Total savings expected</i>	4,191.0	3,420.7

16. 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 benefits under the heading of Resourcing Transformation.
17. The Council has partnered with ATOS Origin in a Scoping Study which has concluded that significant savings can be realised over the next five years through a cross cutting and authority wide programme of transformation projects. These include more effective procurement and transforming organisation and processes to most effectively deliver service excellence. The commercial arrangements and funding for the partnership have still to be concluded and approved by Members but this could contribute significantly to savings in this three year period and beyond. Potential savings to be realised through this partnership are not included in this Statement.
18. The Council will actively seek collaboration and partnership working wherever it is appropriate and have already worked with Bedfordshire local authorities in developing aspects of its e-Government infrastructure. The Council is represented on the Management Board of the Eastern Regional Centre of Excellence (RCE) and will work with local authorities in the region and beyond to jointly identify and deliver savings where this is appropriate.

19. The Council's Budget Challenge Group (BCG) comprising of senior Officers including the Chief Executive, Director of Corporate & Customer Services 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 monitor and regularly review progress and provide updates to Members.

The Key Actions

20. Key actions to deliver the strategy and at least the Council's targeted efficiency savings include:
 - Monitor and drive actions to ensure the specified savings committed in the 2004/5 Budget are realised through 2005/6.
 - Monitor and drive actions to deliver savings committed in the 2005/6 Budget through the BCG
 - Implement agreed organisation changes and new resourcing to support and deliver transformation activity across the Council
 - Conclude Business Partnership commercial negotiation and commence agreed programme to deliver further savings
 - Seek collaborative working opportunities with region and other authorities and organisations directly and through RCE.
 - Identify further savings opportunities from local department and corporate initiatives.
 - Establish AES governance and appropriate review methodology.

LEGAL IMPLICATIONS

21. There are no direct legal implications to this report and this has been agreed with the relevant solicitor in Legal Services on 23rd June 2005.

FINANCIAL IMPLICATIONS

22. The areas of efficiency saving originating in 2004/5 which will recur in 2005/6 and contribute to achieving the savings target are summarised in Appendix A
23. This is coordinated and monitored by the BCG as part of overall budget monitoring which will also encompass the savings presented in the recent *forward looking* Statement.
24. New programmes and activity to deliver further savings such as those contemplated within the Business Partnership, will be developed and presented for approval from time to time.

25. Work to identify and quantify further recurring savings is ongoing and ODPM are still providing further guidance on their requirements, particularly in describing quality cross-checks required to confirm savings under each theme.

STAFFING IMPLICATIONS

26. The Budget in 2004/5 and 2005/6 includes specific savings achieved by headcount reduction. In many cases deleted posts were vacant. However, where people are impacted, then the Council's formal consultation and redeployment policy and process has been/will be applied. Details are contained within the Budgets approved by Council in both years.

COUNCILLORS CONSULTATIONS

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

STAKEHOLDERS CONSULTATIONS

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

APPENDICES

- A. *backward looking* Annual Statement
- B. *forward looking* Annual Statement

BACKGROUND PAPERS

2004/5 and 2005/6 Budgets
Business Partnership Scoping Study Conclusions and Phase 2 Proposals
ODPM guidance and technical note