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<b>REPORT TO:</b>	<b>FINANCE AND MANAGEMENT COMMITTEE (SPECIAL – FINAL ACCOUNTS)</b>	<b>AGENDA ITEM: 7</b>
<b>DATE OF MEETING:</b>	<b>29th JUNE 2010</b>	<b>CATEGORY: RECOMMENDED</b>
<b>REPORT FROM:</b>	<b>DIRECTOR OF CORPORATE SERVICES</b>	<b>OPEN</b>
<b>MEMBERS' CONTACT POINT:</b>	<b>KEVIN STACKHOUSE (595811)</b>	<b>DOC: u/ks/efficiency/f&amp;m update june09</b>
<b>SUBJECT:</b>	<b>ANNUAL EFFICIENCY STATEMENT 2009/10</b>	<b>REF:</b>
<b>WARD (S) AFFECTED:</b>	<b>ALL</b>	<b>TERMS OF REFERENCE: FM 08</b>

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## **1.0 Recommendations**

- 1.1 That the value for money gains achieved in 2009/10, as detailed in Appendix 1 be submitted to the Government under National Performance Indicator 179.
- 1.2 That cumulative progress since April 2008 and current plans for future efficiency savings be considered and noted.

## **2.0 Purpose of Report**

- 2.1 To provide an analysis of value for money (efficiency) gains made in 2009/10 that will be reported to the Government under the national performance framework.
- 2.2 In addition, the report outlines the on-going and planned actions that have been approved to deliver further efficiencies over the term of the current medium term financial plan to 2015.

## **3.0 Detail**

### **The National Framework**

- 3.1 Under the Government's efficiency/value for money framework, which arose out of the Comprehensive Spending Review in 2007, all councils were set a yearly efficiency target of 3% per year from 2008/09. This replaced the previous target of 2.5% for financial years 2005/06, 06/07 and 07/08, which stemmed from a review of efficiency across the public sector by Sir Peter Gershon in 2004.

- 3.2 Besides an increase in the target percentage, other changes were introduced from April 2008. Firstly, only cashable savings can be counted towards the target; non-cashable savings, for example, achieved by more efficient processes that save time, whilst clearly important do not count towards the target.
- 3.3 In addition, pure cuts in service, for example to achieve a balanced budget do not count. The emphasis is on achieving efficiencies through greater value for money initiatives, the savings or gains accruing to be reinvested back into local services.
- 3.4 The target of 3% is a national figure and will be used to judge as a whole how local government has performed (3% being calculated on net baseline expenditure, including capital). However, individual authorities are free to decide their own target depending on local circumstances.
- 3.5 Ultimately, external auditors judge performance locally as part of the annual Use of Resources Assessment. It will also be part of any wider corporate or service inspection. The judgement will take into account past performance and future plans. National performance will be judged from returns made under the National Indicator 179.
- 3.6 Authorities can also count efficiencies brought forward from the previous framework as long as they are cashable and on going. This is to recognise that authorities had plans in place prior to April 2008 where the benefits would continue to accrue in future years.

### **The Council's Strategy**

- 3.7 In order to meet the national framework and to deliver better value for money locally, the Council has approved key areas on which it has and will continue to deliver value for money. These are:
- Procurement – changing the way that goods and services are bought.
  - Business Improvement – greater use of ICT and more efficient processing in order that resources can be deployed in other areas.
  - Alternative forms of service delivery – the use of partnering and shared services in particular.
  - Asset management – disposing of assets surplus to requirements and streamlining property use.

### **Actual progress to-date**

- 3.8 As part of regular financial and budget monitoring reports, the Committee have received updates throughout 2009/10.
- 3.9 **Appendix 1** now sets out the final and actual figures as at 31<sup>st</sup> March 2010 for each of the improvement projects counting towards the national indicator, plus the total amount brought forward as notified by the Government.

- 3.10 The Council had an indicative target of approximately **£565,000** for 2009/10, based on a baseline expenditure of approximately £18.8m. The Council has out performed the target with gains totalling approximately **£840,000**, including the amount brought forward.
- 3.11 Cumulative savings upto 31<sup>st</sup> March 2010 show in excess of £1.5m. Government figures indicate that this is equivalent to £49 on a Band D council tax bill. For comparative purposes, the average for district councils across England and Wales was £41.
- 3.12 Clearly there are a range of efficiencies being made from larger service reviews down to the procurement of smaller supplies and services. The later, although much smaller in amount, represent good housekeeping and help to ensure that the Council is getting the best price for these services.

### **Treatment of Gains**

- 3.13 The gains made in 2009/10 have been included in the Council's medium-term financial plan to 2015 as indicated in Appendix 1. Gains yet to be made, i.e. those only accruing from 2010/11 onwards in particular, will not be taken into account until the improvement project is implemented and the financial implications fully known.
- 3.14 This is in line with the Council's Financial Strategy and ensures a prudent approach to financial management. The figures included at this stage are estimated and will be firmed up as projects progress.

### **Increase in the National Target**

- 3.15 The target has been increased to 4% for 2010/11 as set out in the (then existing) Government's Budget in March 2009. The future direction of the efficiency agenda could change following an audit of the public finances by the new Coalition Government. Outcomes from this are due shortly.
- 3.16 However, it is widely considered that given the current pressures on the nation's finances, cashable efficiency savings will come even further into focus.
- 3.17 The Business Improvement Board will continue to lead and support further initiatives through the 3-year programme of service and efficiency reviews.

## **4.0 Financial Implications**

- 4.1 As set out in the report.

## **5.0 Corporate Implications**

- 5.1 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 – one of the main themes in the Corporate Plan.

## **6.0 Community Implications**

6.1 None directly.

## **7.0 Background Papers**

- Delivering Value for Money in Local Government: Meeting the challenge of CSR07
- Measuring and Reporting Value for Money Gains: A Guide to Compiling the Data for National Indicator 179.

Papers published by the Department for Communities and Local Government at:

[http://www.communities.gov.uk/corporate/publications/all/?view=Search+results&query=value+for+money&startdate\\_day=01&startdate\\_month=10&startdate\\_year=2007&enddate\\_day=31&enddate\\_month=10&enddate\\_year=2007&sites=corporate&sites=communities&sites=housing&sites=local&contentType=Circular+and+official+letters&contentType=Corporate+reports&contentType=Good+practice+and+guidance&contentType=Manuals+leaflets+and+booklets&contentType=Reports+and+summaries&showArchived=yes&resultsPerPage=20&performSearch=true](http://www.communities.gov.uk/corporate/publications/all/?view=Search+results&query=value+for+money&startdate_day=01&startdate_month=10&startdate_year=2007&enddate_day=31&enddate_month=10&enddate_year=2007&sites=corporate&sites=communities&sites=housing&sites=local&contentType=Circular+and+official+letters&contentType=Corporate+reports&contentType=Good+practice+and+guidance&contentType=Manuals+leaflets+and+booklets&contentType=Reports+and+summaries&showArchived=yes&resultsPerPage=20&performSearch=true)

- Annual Business Improvement and Procurement Review

<http://cmis.south-derbys.gov.uk/CmisWebPublic/Binary.ashx?Document=6553>