

EXETER CITY COUNCIL

SCRUTINY RESOURCES

20 JUNE 2007

EXECUTIVE

3 JULY 2007

“GERSHON” EFFICIENCY SAVINGS

1. PURPOSE OF THE REPORT

- 1.1 To provide an overview on how the Council is proposing to meet its efficiency savings targets by 2007/08 including the submission of the backward-looking Annual Efficiency Statement for 2006/07.

2. BACKGROUND

- 2.1 The Government has set every local authority a target for efficiency gains of 2.5 per cent for each of the 3 years from 2005/06 to 2007/08 – with the 2004/05 year acting as the baseline. Local Government has been set an overall target of achieving efficiency savings of £6.45 billion by 2007/08. A key point with the overall target is that at least one-half of efficiency gains should be “cashable”. These can be defined as those where there is a direct financial saving or benefit, with money released that can be spent elsewhere or recycled within a service to deliver better results. The remainder of the gains are “non-cashable” where the gains do not necessarily lead to lower costs, but which lead to improved performance for the resources used.
- 2.2 The 2006/07 backward-looking Annual Efficiency Statement (AES) is due to be submitted by 5 July.
- 2.3 The Department for Communities and Local Government has recently issued new guidance in March 2007 for ‘Measuring and Reporting Efficiency Gains’. This consolidates previous guidance by offering advice on the key points that need to be considered when implementing effective management arrangements to deliver efficiencies and by explaining the requirements of the AES scrutiny process. Finally, it sets out the basic principles that underpin the measurement of efficiency gains along with more technical detail on the more difficult areas of measurement and information about how to complete an AES.
- 2.4 The Council has previously been given a revised efficiency target based on its revenue and capital outturn for 2004/05. The revised cumulative efficiency target to be achieved by the city council is £1,476,000, of which at least £738,000 should be ‘cashable’ efficiency gains.

3. MEASURING AND ASSESSING EFFICIENCY GAINS

- 3.1 The Government is continuing to develop suitable mechanisms to help measure efficiency gains and information on the process for measuring efficiency has been set out in the Efficiency Technical Note for Local Government and various toolkits.

Each local authority is expected to produce a self-assessed Annual Efficiency Statement (AES) for each financial year.

3.2 Efficiency gains can be achieved in the following ways:

- reduced inputs (money, people, assets, etc) for same outputs
- reduced prices (procurement, labour costs, etc.) for same outputs
- additional outputs or improved quality (extra service, productivity, etc) for same inputs
- improved ratios of cost/output (unit costs, etc)

3.3 The Council has previously submitted a Backward Look AES for 2004/05 and 2005/06, a Mid Year Update AES for 2006/07, and a Forward Look AES for 2007/08. These identified cumulative savings of £2,826,552 of which £2,541,028 was cashable, and a summary of these is shown in Appendix 1.

4. BACKWARD LOOK ANNUAL EFFICIENCY STATEMENT 2006/07

4.1 The Annual Efficiency Statement for 2006/07 has to be submitted electronically using a prescribed proforma. The 2006/07 backward-look AES will set out the actual impact of any efficiency gains made during the 2006/07 financial year and should only include those efficiency gains that are anticipated to last through to 2007/08.

4.2 The AES includes narrative on the activities undertaken that have resulted in efficiencies being achieved. Alongside this the AES must include quality cross-checks to provide assurance to Government that the quality of service delivery is maintained and hence that true increases in efficiency are being maintained.

4.3 Work is currently being done up to the submission date of 5th July to try to identify and maximise efficiencies achieved during 2006/07. A draft backward-looking AES is attached in Appendix 2 and this shows that efficiency savings of £1,058,000 in respect of 2006/07 have currently been identified. The savings identified for 2006/07 are £605,000 more than had been identified in the 2006/07 Mid Year Update and as a result the revised cumulative savings will also increase from £2,826,552 (as shown in Appendix 1) to £3,431,552. The Council will therefore significantly exceeded its overall cumulative efficiency target of £1,476,000. The overall revised position is shown in Appendix 3.

5. RECOMMENDATION

It is recommended that:

5.1 The contents of this report are noted and the identified savings in the draft 2006/07 Annual Efficiency Statement are approved as part of the Council's overall submission.

HEAD OF TREASURY SERVICES

CORPORATE SERVICES DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling this report:

None