

**8. ANNUAL EFFICIENCY STATEMENT
– BACKWARD LOOK 2006/07 and FORWARD LOOK 2007/08**

(Report of the Borough Director)

1. Purpose of Report

This report provides the Committee with an opportunity to consider and comment on the Council's draft Annual Efficiency Statement (AES) – Backward Look for 2006/07 and Forward Look 2007/08.

2. Recommendation

The Committee is asked to RESOLVE that

subject to Members' comments on the attached draft, the report be noted.

3. Financial, Legal, Policy and Risk Implications

Financial

3.1 There are no specific financial implications.

Legal

3.2 There are no specific legal implications.

Policy

3.3 The Council's Corporate and Performance Plan makes a clear commitment to the delivering efficiency savings in order to reduce the demand on reserves and redirect resources to priority services.

Risk

3.4 Without an adequate scrutiny of the Efficiency Statement the Council risks not meeting the expectation of central government. The Council's actual performance in meeting those expectations will be reviewed by the Audit Commission.

Report

4. Background

- 4.1. The Government's 2004 Spending Review set every local authority a target for efficiency gains of 2.5 per cent per annum for each of the next three years – with the 2004/05 acting as the baseline.
- 4.2. Over half the gains identified by Gershon are “cashable”. Defined as those gains 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 are “non-cashable”, those where the gains do not necessarily lead to lower costs, but which lead to improved performance for the resources used.

Current Efficiency Targets for Redditch

Year	Total £	Cashable £	Non- Cashable £
2005/06	480,000	240,000	240,000
2006/07	959,000	480,000	479,000
2007/08	1,439,000	720,000	719,000

Definition of Efficiency

- 4.3 Efficiency is about raising productivity and enhancing value for money. Efficiency gains are 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 proportionally more outputs or improved quality in return for an increase in resources.

What counts as an efficiency gain?

- 4.4 The procurement of goods and services at prices that are constant in nominal terms. The GDP deflator estimated by HM Treasury is to be used for calculating efficiency gains from procurement prices. The rates are as follows:

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- 1) 2005/06 2.09%,
- 2) 2006/07 2.68%,
- 3) 2007/08 2.70%.

Different deflators are allowable for social housing.

4.5 Efficiencies gained through partnerships.

- 1) Increases in productive time either through reduced input costs, reduced absenteeism or increased outputs.
- 2) Enhanced quality at constant prices.

4.6 Capital expenditure efficiencies can be achieved through:

- 1) the impact it makes on revenue, e.g. reducing the need for operating expenditure, increasing outputs etc; or
- 2) enhancing the efficiency with which investment is undertaken e.g. reducing the rate of inflation on capital projects, or taking steps to improve the effectiveness of investments;
- 3) avoiding cost over-runs (suggested use of Gateway process); and
- 4) more outputs for same resources.

4.7 Capital receipts utilised to reduce borrowing or attain interest payments represent an efficiency gain that can be assessed on an ongoing annual basis.

What does not count?

- 4.8 a) Cuts that result in poorer services for the public.
- b) Re-labelling of activities.
- c) Increased income from higher prices in fees and charges.

5. **Key Issues**

5.1 The Council's AES – Backward Look for 2006/07 has been included at Appendix A. There may be an opportunity to amend this submission during August. Last year authorities were given an opportunity to amend their submissions following scrutiny by government office.

5.2 It is recommended that there should be at least one system in place to challenge initial drafts of the AES and evidence should be available to show the findings of scrutiny and how they have been

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considered or taken on board. This Committee is asked to scrutinise the contents of the Statement for 2006/07.

- 5.3 The final version of the AES Backward Look for 2005/06 has to be signed by the Leader of the Council, Borough Director and the Head of Financial Services (Section 151 Officer).
- 5.4 The Backward Look Annual Efficiency Statements will be reviewed by the Audit Commission.
- 5.5 The Forward Looking Statement for 2007/08 has also been included at Appendix B for Members' information.

6. **Conclusion**

The report provides Members with an opportunity to review the Council's Backward Look Annual Efficiency Statement for 2006/07 and to note the Forward Looking Statement for 2007/08.

7. **Background Papers**

"Measuring and Reporting Efficiency Gains – A Guide to Completing Annual Efficiency Statements" – ODPM February 2006 and May 2006.

"Delivering Efficiency in Local Services – One Year On" – ODPM February 2006.

"Measuring Efficiency Gains" ODPM 16th May 2005.

"The Efficiency Technical Note (ETN) for Local Government" - ODPM January 2005.

Plus numerous other guidance relevant to specific areas of local government service area or cross-cutting activity.

The details to support the information provided within this report are held by Financial Services.

8. **Consultation**

Relevant Borough Council Officers have been consulted in the preparation of this report.

9. **Author of Report**

The author of this report is Teresa Kristunas (Head of Financial Services) who can be contacted on extension 3295 (e-mail teresa.kristunas@redditchbc.gov.uk) for more information.

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10. Appendices

- Appendix A - Annual Efficiency Statement – Backward Look
2006/07
- Appendix B - Annual Efficiency Statement – Forward Look
2007/08

Annual Efficiency Statement – Backward Look 2006/07

Annual Efficiency Statement – Forward Look 2007/08