

## **BACKWARD LOOKING ANNUAL EFFICIENCY STATEMENT 2007/08**

**Report By: Head of Financial Services**

### **Wards Affected**

County wide.

### **Purpose**

1. To inform the Strategic Monitoring Committee of the Council's proposed Backward Looking Annual Efficiency Statement for 2007/08.

### **Financial Implications**

2. An effective Annual Efficiency Statement process identifies financial savings and opportunities to help deliver balanced budgets.

### **Background**

3. The Council is required to provide a Backward Looking Annual Efficiency Statement for 2007/08 as part of the national 'Gershon' efficiency agenda. In cumulative terms the Council needs to identify as a minimum a total of £9.93m of efficiency gains over the three year period ending 31 March 2008..
4. In accordance with current requirements at least half of these efficiency gains need to be 'cashable', i.e. releasing additional cash resources. For 2007/08 £1.65m of cashable efficiency savings were included in the revenue budget. The remaining efficiencies were to be achieved through the Herefordshire Connects programme plus various procurement and efficiency review activities.
5. The Backward Looking Annual Efficiency Statement (AES) is required to be submitted by 8 July 2008 to confirm the level of efficiency gains made as part of the government's "Gershon" efficiency programme.
6. To support the process, the Strategic Procurement and Efficiency Manager developed procedures and methodologies to recognise, capture, measure and validate both the cashable and non-cashable efficiencies. The process involved working in partnership with the relevant service and financial managers. This also ensures that any stated efficiency gains will stand up to review by the Audit Commission should they chose to audit our Annual Efficiency Statement.
7. Efficiency savings feature prominently in the 'Use of Resources' assessment and therefore will continue to be key to the Council's overall performance rating. Since December 2006 the Use of Resources assessment has taken account of the external auditor's review of efficiency gains reported for the year in the Annual Efficiency Statement.

8. The 2007/08 efficiency gains target was £3.3m of which half had to be "cashable". The other half is "non-cashable" which covers efficiency savings based on improved performance. The 2008/09 requirement has changed with all AES entries required to be cashable.
9. The AES process has been in place for three years. The Backward Looking Statements for the three year period ending 31 March 2008 total £13.94m of which £9.21m is cashable.
10. The overall position for 2007/08 is calculated to be a total efficiency figure of £4.10m of which £2.67m is cashable. This means the Council has comfortably exceeded its target. The excess cashable savings can be carried forward toward the 2008/09 target of £3.7m. The attached appendix contains further detail of the components of the total.
11. The appendix to this report contains the proposed detailed list of efficiencies to be submitted in the Backward Looking Annual Efficiency Statement. The list covers all directorates with evidence that the increasing importance being placed on procurement is contributing to the efficiency process. As part of the 2007/08 budget procurement efficiency savings contributed £250,000 to achieving a balanced budget.
12. The updated Medium Term Financial Management Strategy continues to make a clear link between the Annual Efficiency Statement process and delivering a balanced budget. The evidence of this approach is contained in the 2008/09 budget with a further £750,000 of procurement efficiencies in place as part of the base budget.
13. The Efficiency Statement needs to be signed off by the Leader, Chief Executive and the Director of Resources by 8 July 2008. The Statement is then submitted to the Department of Communities and Local Government.
14. The summary of efficiency savings to be submitted is as follows:

#### Summary of Efficiency Savings Identified

		2007/08 Achievement		
		Cashable	Non cashable	Total
		£'000	£'000	£'000
1	Adult Social Services	266	-	266
2	Children's Services	64	10	74
3	Culture and Sport	144	-	144
4	Environmental Services	255	577	832
5	Local Transport	140	-	140
6	LA Social Housing	-	-	-
7	Non-School Educational Services	206	832	1,038
8	Supporting People	143	-	143
9	Homelessness	98	-	98
10	Corporate Services	182	-	182
11	Procurement	220	-	220
12	Productive Time	-	-	-
13	Transactions	952	12	964
14	Miscellaneous Efficiencies	-	-	-
		<b>2,670</b>	<b>1,431</b>	<b>4,101</b>

15. The above clearly indicates that all directorates have made a contribution to the final position and the following outlines some key areas:
- a. Transactional activity. This cashable efficiency has largely been delivered by the Benefit and Exchequer Service within the Resources Directorate where increased performance has reduced Council Tax arrears. An improved rate of Council Tax collection, a reduction in housing benefit subsidy penalties and an increase in subsidy on housing benefit overpayments for privately rated properties has also made a contribution.
  - b. General Efficiencies. This area of non cashable efficiencies has been largely delivered by the Children's and Young People's Directorate and the Environment Directorate. The Children's Services position is based on an estimated efficiency gain across the directorate. The Environment Directorate figure of £557k is the waste reduction in landfill multiplied by central government's per ton savings figure.
  - c. Non inflation contract spend. In 2007/08 Adult and Community Services spent £5.72m on Supporting People contracts but the central government grant was not sufficient to provide an inflation uplift to providers. The cashable savings is based on the estimated uplift that would have been provided if the grant had been inflated.
  - d. Insurance Savings. A cashable saving of £180k was produced through a reduced insurance cost to the Council. The reduction was a result of more effective procurement.
  - e. Reduction in HALO's management fee. A £138k reduction in the management fee paid to HALO produced this cashable efficiency.
  - f. Vacancy savings. The level of vacancies held in Adult and Community Services have produced a £210k cashable saving.

### **Risk Management**

16. A failure to deliver efficiency savings would impact on the ability to deliver objectives within the corporate, directorate and service plans.
17. The progress against the efficiency targets is monitored and reviewed by the corporate Benefits Review Group.

### **RECOMMENDATION**

**THAT the content of the proposed Backward Looking Annual Efficiency Statement for 2007/08 be noted subject to any comments the Committee wishes to make.**

### **BACKGROUND PAPERS**

- Draft Forward Look Annual Efficiency Statement Benefit car pro-forma.