

WIRRAL COUNCIL**CABINET - 20 JUNE 2007****REPORT OF THE DIRECTOR OF FINANCE****DELIVERING EFFICIENCY IN LOCAL SERVICES**

1. EXECUTIVE SUMMARY

- 1.1 This report recommends approval of the submission of the Annual Efficiency Statement (AES) Backward Look 2006/07 which is required to be with the Department for Communities and Local Government (DCLG) by 5 July 2007.

2. INTRODUCTION

- 2.1 The Executive Board on 6 April 2006 approved the AES Forward Look 2006/07. This was subject to a Mid-Year Review that was presented to the Executive Board on 6 November 2006. Both submissions were based upon the guidance within 'Delivering Efficiency in Local Services' and the 'Efficiency Technical Note for Local Government' issued by the Office of the Deputy Prime Minister and updated in March 2007 by the Department for Communities and Local Government (DCLG) in 'Measuring and Reporting Efficiency Gains'.
- 2.2 The local government target is to achieve, relative to the 2004/05 baseline, total annual efficiency gains of at least £6.45 billion by 2007/08. It is a further requirement that at least half of this is cashable. These are 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.
- 2.3 Whilst every Council is required to achieve efficiency savings it is not the intention that efficiencies cut frontline services for users but that they be found by operating the business using a best business practice approach.
- 2.4 The DCLG requires local authorities to produce an Annual Efficiency Statement (AES) for each year aligned closely to the budget and policy setting timetable. These are then subject to a mid-year review and a year-end statement known as a Backward Look.

3. ASSESSING EFFICIENCY GAINS**3.1 The Baseline expenditure**

- 3.1.1 The Baseline expenditure figure was initially calculated from the 2004/05 local authority net revenue and capital expenditure forecasts. Spend on schools, which are the subject of a separate assessment by the Department for Education and Skills, and Housing and Council Tax Benefits, were excluded as was income from any specific 'one-off' grants. However, a share of the

Passenger Transport Authority and Waste Disposal Authority budgets, based upon the proportionate share of the levies, was included.

3.1.2. The Wirral baseline spend was calculated at £340.5 million producing an annual efficiency target of £8.51 million which for the period 2005/06 to 2007/08 amounted to £25.53 million. It was always the intention of the Government that the Baseline would reflect the actual spend figures for 2004/05 per the submitted returns. This, therefore, incorporated the increased spending on social services during 2004/05 and increased the annual target to £8.53 million.

3.1.3 This calculation is only used to assess the required level of target from the local authority and there is no relationship between the detail and the actual delivery / achievement of efficiencies.

3.2 Analysis of efficiency gains

3.2.1 The AES requires that the efficiency gains are analysed across prescribed headings being either under sector, covering headings such as adult social services, children's services and culture and sport or cross-cutting workstream, which encompasses corporate services and productive time.

3.2.2 Efficiency gains from the Passenger Transport and Waste Disposal Authorities are apportioned in accordance with the levy.

3.3 Assessing efficiency gains

3.3.1 Efficiency is about raising productivity and enhancing value for money and can occur through:-

- Reduction of inputs (money, people, assets, etc) for the same outputs;
- Reduction of prices (procurement, labour costs, etc) for the same outputs;
- Increase in outputs or improved quality (extra service, improved productivity, etc) for the same inputs;
- Improved ratios of cost / output (unit costs, etc).

3.3.2 The gains are to be split between cashable and non-cashable with at least 50% being cashable gains. Cashable represent the potential to release resources for use elsewhere whilst non-cashable are improved quality or additional outputs for the same inputs. Gains must be measurable and subject to external assessment by the Audit Commission.

3.4 Key dates in delivering and reporting

3.4.1 The timetable relating to efficiency reporting is:-

Date	Action
July 5 2007	Authorities submit backward looking AES for 2006/07
November 15 2007	Authorities submit a mid-year update for 2007/08
December 2007	Audit Commission report upon findings as part of CPA
July 8 2008	Authorities submit Backward Look 2007/08

4. ANNUAL EFFICIENCY STATEMENT (AES)

- 4.1 The AES Forward Look 2006/07 detailed the strategy for securing efficiency gains, key actions to be taken during the year, and efficiency gains expected to result from them. This was reported to Executive Board on 6 April 2006 and submitted on-line to the DCLG on 14 April 2006. The Mid-Year update was reported on 2 November 2006 and submitted to DCLG on 17 November 2006.
- 4.2 Whilst the Council self-assesses the efficiency gains made in various specified categories as set out in the Efficiency Technical Note the results are subject to review by the Audit Commission. This assessment is a component of the Use of Resources judgement within the Comprehensive Performance Assessment (CPA), the results of which are provided to the Council and the Government by mid-December.
- 4.3 The basic principles are:-
- When setting the annual budget the Council must identify actions to improve efficiency and quantify the estimated expected gains;
 - After the end of the financial year the Council must identify the impact of the actions taken, by service sector category and for cross-cutting areas, for the year in question. It is important to make the distinction between cashable and non-cashable efficiency gains;
 - Claimed efficiency gains for a service category will only be valid if service quality in that category has been maintained.
 - The AES must be seen, certified and approved by the Leader of the Council, Chief Executive and Director of Finance.

5. ANNUAL EFFICIENCY STATEMENT (AES) BACKWARD LOOK 2006/07

- 5.1 The Statement is included as an appendix to this report and sets out the Council strategy, the linkages with partner agencies through the provision of One Stop Shops and Information Points, the Call Centre, and the development of web-based service delivery. It states the Council commitment towards improving its priority areas as well as keeping Council Tax at affordable levels with Service Re-engineering and the development of partnership working as the key to identifying resources for re-allocation.
- 5.2 The key gains and issues for 2006/07 were :-
- a. Service Re-engineering that realised cash benefits as well as resources being re-invested in improved customer services although not all the re-engineering actions satisfied the guidance criteria.
 - b. Cash limiting applied to budgets with no inflationary rises for prices and contracts made resources available to sustain existing services. Ensuring the same level of outputs for reduced inputs secured efficiency gains with outputs maintained.
 - c. The savings packages encompassed increased income that was outside the criteria for efficiencies as well as service changes and so again not all

of these savings identified for 2006/07 contributed towards the eligible efficiencies that could be reported.

- d. Information received from both Merseytravel and Merseyside Waste Disposal Authority regarding the apportionments to Wirral is incorporated within the sectors for transport and environmental services. Final details are awaited from these bodies and will be included if received before the submission date.
- e. Improvements in attendance levels during 2006/07 released 'non-cashable' efficiencies. The numbers of days lost per person having increased in 2005/06 is below the previous year levels.
- f. Progress on Risk Management initiatives was contained within the Insurance Fund Review report on 28 June 2006 when resources were released to General Fund balances and substantial revenue savings identified for 2006/07.

6. FINANCIAL AND STAFFING IMPLICATIONS

- 6.1 The target now set for Wirral is to achieve annual efficiency savings of £8.53 million between 2005/06 and 2007/08 which cumulatively totals £25.6 million.
- 6.2 Executive Board on 2 November 2006 approved the AES Mid-Year update 2006/07 with reported gains of £8.5 million for the year. The AES Backward Look 2006/07 contains details of gains totalling almost £8.6 million for 2006/07.
- 6.3 In terms of the overall position the AES Backward Look 2006/07 now shows cumulative gains totalling £25.8 million. This figure includes those on-going from previous years, including the 2004/05 financial year, and is updated annually by the DCLG for inflationary increases.
- 6.4 There are no staffing implications arising directly from this report.

7. EQUAL OPPORTUNITIES IMPLICATIONS

- 7.1 There are none arising directly from this report.

8. HUMAN RIGHTS IMPLICATIONS

- 8.1 There are none arising directly from this report.

9. COMMUNITY SAFETY IMPLICATIONS

- 9.1 There are no specific implications arising from this report.

10. LOCAL MEMBERS SUPPORT IMPLICATIONS

- 10.1 There are no specific implications for any Member or Ward.

11. LOCAL AGENDA 21 IMPLICATIONS

11.1 There are none arising directly from this report.

12. PLANNING IMPLICATIONS

12.1 There are none arising directly from this report.

13. BACKGROUND PAPERS

13.1. The following documents have been used:-
Delivering efficiency in local services – ODPM November 2004.
Delivering efficiency in local services 2 – ODPM January 2005.
Efficiency Technical Note for Local Government – ODPM January 2005.
Measuring and reporting efficiency gains – DCLG March 2007.

14. RECOMMENDATIONS

That

- (1) the Annual Efficiency Statement – Backward Look 2006/07 be approved; and
- (2) the Director of Finance be authorised to make any amendments to include any information received from Merseytravel and the Merseyside Waste Disposal Authority prior to its submission.

IAN COLEMAN
DIRECTOR OF FINANCE