

KENNET DISTRICT COUNCIL

RESOURCES EXECUTIVE COMMITTEE
to be held on Tuesday 18th September 2007

Report by Janet Ditte, Chief Accountant & Auditor

Gershon Efficiency Gains – Annual Efficiency Statements

1. Purpose of Report

The purpose of this report is to report to Members the Gershon Efficiency Gains reported for 2006-07 and the planned efficiency gains for 2007-08. In addition, the report will provide details of the Council's progress to date against its total efficiency gain target.

2. Financial and Staffing Implications

All local authorities are required to achieve 2.5% efficiency gains for 3 years from 2005-06. These can be cashable or non-cashable gains. This requirement has been built into the Council's budgets and therefore the financial implications of the efficiency gains presented in this report are already included in the Council's budgets and financial statements.

There are no staffing implications, other than the staff resource used to compile the required statistical returns.

3. Legal Implications

There are no legal implications associated with this report.

4. Risk Implications

The efficiency gains reported for 2006-07 are still subject to review by the Council's external auditors. Therefore, there is the risk that the gains reported may change following this review. However, the Council has adopted a prudent approach to reporting its gains to minimise the risk of changes of this nature.

5. Introduction

The Council is required to complete a number of statistical returns in relation to the Gershon Efficiency Agenda. These include an annual Backward Looking Annual Efficiency Statement, reporting the actual efficiency gains achieved for the previous financial year, and a Forward Looking Annual Efficiency Statement forecasting the efficiency gains for the forthcoming year. In addition, there is a Mid-Year Efficiency Statement, which is optional for district councils, to update the planned efficiency gains for the current year. Although optional for district council's, it is considered best practice to submit this return.

Although the efficiency agenda was formally implemented in 2005/06, the Council was able to measure its efficiency gains for 2004/05 and include these in its total efficiency gains.

As already noted, all local authorities have been set a 2.5% efficiency gain target for each of the 3 years from 2005-06. This is calculated using 2004-05 as the baseline and for Kennet equates to total efficiency gains for the 3 years of £860k. 2007/08 is the last year in this cycle of efficiency gains. However, it has already been indicated that the government will publish revised efficiency targets as part of the Comprehensive Spending Review for 2007. The indication is that this efficiency target will be set at 3% cashable gains.

The Council's overall approach to achieving this target has been to cash-limit all appropriate budgets (i.e. not increase budgets for inflation). The guidance on measuring efficiency gains assumes that annual expenditure will increase by inflation and therefore where expenditure is maintained at the same levels an efficiency gain, equivalent to inflation, is achieved.

6. Efficiency Gains to Date

The Council has now completed three Backward Looking Annual Efficiency Statements, for 2004/05, 2005/06 and 2006/07. The following table provides a summary of the efficiency gains that have been reported¹ for these years:

¹ As reported in the Annual Efficiency Statement

	Ongoing Gains Sustained from 2005/06²	2006/07 £'s
Culture and Sport	119,051	2,453
Environmental Services	96,207	125,690
LA Social Housing	16,010	0
Homelessness	13,238	0
Corporate Services	173,188	22,262
Procurement	74,532	107,207
Productive Time	2,323	0
Transactions	44,082	5,646
Miscellaneous Efficiencies	296,762	1,892
TOTAL	835,393	265,150
Total Efficiencies Reported		1,100,543

As can be seen from this table, the Council has achieved its target efficiency gains of £860k, a year in advance of the required timeframe. The efficiency gains achieved in 2006/07 compare with planned efficiency gains reported in the Forward Looking Annual Efficiency Statement for 2006/07 of £362k.

The Council has now received formal feedback from the Department for Communities and Local Government on the Backward Looking Annual Efficiency Statement for 2006/07, which was submitted in July 2007. This feedback has been positive for local authorities as a whole, stating that "excellent progress is being made by council's on efficiency and improvement". The various government departments have reviewed Kenet's submission and have not raised any issues or concerns.

7. Efficiency Gains for 2007/08

In April 2007, the Council submitted the Forward Looking Annual Efficiency Statement for 2007/08. The Council's strategy for securing efficiency gains continues to be the achievement of greater outputs and improved service quality from the same (or less) resources, through cash limiting its expenditure. A copy of the Annual Efficiency Statement is attached as Appendix A and is summarised in the following table:

² As reported by DCLG in Backward AES for 2006/07 = Government figures for KDC

	2007/08 £'s
Culture and Sport	16,818
Environmental Services	202,706
Local Transport (non-highways)	819
LA Social Housing	13,622
Homelessness	75,621
Corporate Services	81,804
Procurement	68,962
Productive Time	4,414
Transactions	18,472
Miscellaneous Efficiencies	21,784
TOTAL	505,022

The Statement was reviewed by the Council's Management Team and the Leader of the Council, prior to submission.

As the efficiency gains are built into the Council's budget, progress against these gains will continue to be monitored through the Council's corporate budget monitoring processes and will be formally reported to the Council's Management Team and Members as part of the budgetary control process. In addition, all Service Managers are required to completed quarterly efficiency statements to report any additional efficiencies identified and achieved.

8. Conclusions

The tight budget constraints experienced by the Council over the last few years has ensured that the Council has been well placed to meet the requirements of the efficiency agenda. The efficiency gains already reported show that the Council has already achieved its efficiency target of £860k and the forecast efficiencies for 2007/08, if achieved, will mean that the Council has significantly exceeded its target.

9. Recommendations

It is **RECOMMENDED THAT:**

1. Members note the progress made that the Council has made against its efficiency targets.
2. Members continue to monitor progress against the efficiency targets as part of the budget monitoring processes.

Annual efficiency statement - forward look

Details

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Statement

1.1 Strategy for making and monitoring efficiency gains

The Council's strategy for securing efficiency gains throughout 2007/08, will continue to be the achievement of greater outputs and improved service quality from the same (or less) resources. This will be achieved through the Council's ongoing policy to cash limit appropriate budgets (i.e. holding budgets, and expenditure, at the same level and not allowing inflationary increases); to achieve efficiencies in our procurement arrangements and the use of the Council's resources, allowing the release of resources for re-investment in other service areas and to keep Council Tax rises within acceptable levels. This will be achieved through ongoing robust and challenging budget setting and financial management processes. The efficiency strategy adopted by the Council is a Corporate Efficiency Strategy and as such applies to all Council services, which will contribute to the achievement of the strategy.

The Council will build on its procurement strategy, not only in developing partnerships for joint procurement, but also developing our internal procurement arrangements, building on technological solutions for its procurement arrangements.

In addition, the strategy for 2007/08 will be to build on the efficiency activities started throughout 2005/06 and 2006/07, including:

- identifying suitable vehicles for e-auction arrangements;
- continuing the programme of service reviews through the Wiltshire Customer First Partnerships;
- implementing the service improvements and efficiencies identified by the Wiltshire Customer First Partnership;
- Continuing to consider other joint procurement arrangements for major contracts, such as the agency staff framework agreement;
- continue the programme of business transformation reviews of key service areas within the authority.

The data included in this return is based on the cashable efficiency gains that the Council has calculated, largely based on the efficiencies achieved through the budget setting process. The values included in the return represent those calculated for all services and workstreams within the specific areas and do not relate specifically to the key actions identified. The key actions identified are provided as examples of the ways in which the authority expects to be able to achieve the planned efficiencies. The benefit of this approach is that it ensures that all services are responsible for the efficiency agenda and are contributing to the Council's efficiency targets. It also ensures that the efficiency agenda is at the heart of the Council's financial management arrangements.

The activities and key actions identified in this return are enabling the authority to generally perform more efficiently and therefore continue to operate within cash limited budgets, thus achieving the planned cashable efficiencies outlined below. These cashable efficiencies are being used to maintain council tax increases within acceptable levels and to implement new and improved service provision.

The data reported in this return focuses on the cashable gains the Council has calculated through the budget setting process.

1.2 Key actions to be taken during 2007-08

The following is a summary of the key actions that will be the focus of the Council's efficiency activities, supplemented by those identified against the individual service areas.

1. Budgets

The Council will continue to secure efficiency gains through its budget setting process. This method not only measures inflationary based efficiencies gains, but also ensures that all other efficiencies gains, for example achieved through procurement improvements or service re-structures are also measured.

2. Wiltshire Customer First Partnership

Working with other local authorities and service providers within Wiltshire, the partnership is conducting reviews of a range of major service areas to:

- compare and contrast working arrangements, to identify possible service improvements;
- consider alternative and more efficient working arrangements;
- identify opportunities for joint working and procurement.

To date, the following areas have been identified for change and improvement in service provision:

- the payroll service of all the district council's has now been outsourced to the County Council, achieving efficiencies in staff and IT costs;
- the banking contracts of the Wiltshire authorities will be jointly procured in future;
- a joint framework agreement has been implemented for the procurement of agency staff, resulting in savings on the agency fees;
- a CRM system was jointly procured for use by all of the Councils.
- Services have been reviewed, including payroll services, audit, building control;

During 2007/08, the action plans developed during these service reviews will be implemented and the timetable for service reviews will continue to be conducted. The work of this partnership demonstrates that there is a county wide commitment to driving the efficiency agenda through effective partnership working.

3. Procurement Arrangements

Following the success of the e-auction for the provision of agency staff through a framework agreement, the Council will continue to proactively pursue and support other similar arrangements.

The Council will implement the next stage of its e-procurement agenda, which will include full links to an e-marketplace, which will be fully integrated with the Council's financial systems.

4. Recycling Strategy

The Council has adopted a challenging recycling and waste minimisation strategy to increase the amount of waste recycled in the district and also reduce the level of waste collected. This has resulted in the increased efficiency of these services through increased recycling rates. This has been achieved through Alternate Weekly Collections and a green waste collection service. The efficiencies of these changes will continue to be built on during 2007/08. The Council now uses the same resources to handle waste and recycled goods across the district, however the level of recycling has increased dramatically.

5. Business Transformation Reviews

During 2007/08, the Council will continue its programme of business transformation reviews of key services. This will build on the success of the reviews already conducted on the Environment Health and Housing Benefits Services.

The full effect of the improvements recommended for Environmental Health following the transformational review, will be implemented and measured during 2007/08. In addition, the recommendations of the review of the Benefits Service will also be implemented.

6. Service Re-Structure

At the end of 2006/07, the Council has amalgamated its Environmental Health and Housing Services under a single Head of Service. These changes formally come into effect on 1st April 2007. The efficiencies associated with these changes have been built into the Council's budgets 2007/08 and will be fully implemented and measured during this financial year.

In addition, further structural reviews will be conducted during the year to ensure that the Council operates the most efficient and effective management structures. These efficiencies will be measured during the year as part of the budget setting process.

	Expected annual efficiency gains (£)	...of which cashable (£)	Related links
Adult social services	0	0	Documents People Projects
	Strategy: Service not applicable Key actions:		
Children's services	0	0	Documents People Projects
	Strategy: Service not applicable Key actions:		
Culture and sport	16,818	16,818	Documents

			People Projects
	<p>Strategy: In addition to the corporate efficiencies strategy, the Council's leisure services team will continue its strategy to deliver increased customer use of the Council's leisure facilities and services, to achieve maximum capacity usage.</p> <p>Key actions:</p>		
Environmental services	202,706	202,706	Documents People Projects
	<p>Strategy: The services will contribute to the wider efficiency strategy.</p> <p>Key actions: 1. The efficiencies recommended following the business transformation review of the Environmental Health Service will be fully implemented during the year. 2. The Council will continue to implement its Recycling and Waste Minimisations Strategy, as outlined above. 3. The waste collection service will continue to utilise the same resources to collect additional recycled goods and also to incorporate increased domestic refuse collection requirements (i.e. from new housing developments)</p>		
Local transport (highways)	0	0	Documents People Projects
	<p>Strategy: Service not applicable</p> <p>Key actions:</p>		
Local transport (non-highways)	819	819	Documents People Projects
	<p>Strategy: The service will contribute to the broader efficiency strategy outlined above.</p> <p>Key actions:</p>		
LA social housing (capex)	0	0	Documents People Projects
	<p>Strategy:</p> <p>Key actions:</p>		

LA social housing (other)	13,622	13,622	Documents People Projects
<p>Strategy: The service will contribute to the Council's broader efficiency strategy.</p> <p>Key actions: 1. The efficiencies brought about by the structure review with the housing services function, will be fully implemented and measured during the year.</p>			
Non-school educational services	0	0	Documents People Projects
<p>Strategy: Service not applicable</p> <p>Key actions:</p>			
Supporting people	0	0	Documents People Projects
<p>Strategy: Service not applicable</p> <p>Key actions:</p>			
Homelessness	75,621	75,621	Documents People Projects
<p>Strategy: The service will contribute to the wider corporate efficiency strategy, highlighted above.</p> <p>Key actions:</p>			
Other cross-cutting efficiencies not covered above			
Corporate services	81,804	81,804	Documents People Projects
<p>Strategy: Corporate services will contribute to the wider efficiency strategy of the Council</p> <p>Key actions: 1. Key services areas within corporate services will be subject to review as part of the Wiltshire Customer First Partnership. 2. The full effect of the outsourcing of the payroll function will be measured, including reduced IT costs.</p>			
Procurement - goods and services	68,962	68,962	Documents

			People Projects
	<p>Strategy: Procurement is a key contributor to the corporate efficiency strategy.</p> <p>Key actions: 1. The procurement team will be working with the finance team to implement a fully integrated e-procurement package with e-marketplace functionality for the procurement of all standard goods. The objective will be to eventually implement e-invoicing.</p> <p>2. See procurement actions above.</p>		
Procurement - construction	0	0	Documents People Projects
	<p>Strategy:</p> <p>Key actions:</p>		
Productive time	4,414	4,414	Documents People Projects
	<p>Strategy: The council will continue its existing policies and strategies on the area of productive time, to improve the efficiency levels of its staff resources.</p> <p>Key actions: 1. The Council has implemented a new Human Resources software package (effective from 1st April 2007), which will allow managers to more effectively manage their staff resources. The Council has detailed policies on the management of staff absences etc, and these will continue to be reviewed and monitored throughout the year to ensure that sickness absence etc is minimised through effective management practices.</p>		
Transactions	18,472	18,472	Documents People Projects
	<p>Strategy: Within the overall strategy to achieve greater outputs from the same inputs (resources), the Council will endeavour to continue to process increased number of transactions with the same resources.</p> <p>Key actions: 1. The success of the Council's recycling, and in particular, green waste collection services, has resulted in a substantial increase in accounts receivable transactions. The non-cashable efficiency gains of this will be measured.</p> <p>2. The recommendations from the business transformation review of the Benefits Service will be</p>		

	fully implemented during the year. 3. The Council will continue to promote the electron processing of transactions. This will include the continued promotion of electronic BACS payments, the introduction of direct debits for accounts receivable and BACS payments for housing benefits.		
Miscellaneous efficiencies	21,784	21,784	Documents People Projects
	Strategy: All services within this area, such as Planning, will continue to contribute to the broader efficiency agenda. Key actions:		
Total	505,022	505,022	
