

# WYRE FOREST DISTRICT COUNCIL

## CABINET

21<sup>ST</sup> DECEMBER 2006

### EFFICIENCY GAINS – CASHABLE AND NON-CASHABLE 2006/2007 – 2007/2008

<b>COMMUNITY STRATEGY THEME:</b>	-
<b>CORPORATE THEME:</b>	Improving Corporacy & Performance
<b>KEY PRIORITY:</b>	Financial & Asset Management
<b>STRATEGY:</b>	Budget & Policy Framework
<b>CABINET MEMBER:</b>	Councillor John Campion
<b>RESPONSIBLE OFFICER:</b>	Head of Financial Services
<b>CONTACT OFFICER:</b>	Keith Bannister Ext. 2100
<b>APPENDIX 1</b>	Estimates Efficiency Gains - Cashable and Non-Cashable Budget 2006/2007 - 2007/2008
<b>OPEN</b>	

#### **1. PURPOSE**

- 1.1 This report sets out the identified estimated annual cashable and non-cashable efficiency gains for two years from 2006/2007 to 2007/2008 as part of the Medium Term Financial Strategy.

#### **2. RECOMMENDATIONS**

**The Cabinet is asked to RECOMMEND :-**

- 2.1 **The endorsement of the identified estimated annual efficiency gains from 2006/2007 onwards included in the Budget 2007/2010.**

#### **3. BACKGROUND**

- 3.1 All local authorities are required to submit to the Office of the Deputy Prime Minister (ODPM) (now Department for Communities and Local Government (DCLG)), for the years 2005/2006 to 2007/2008 a series of efficiency statements about targets and achievements, following the expenditure review by Sir Peter Gershon – *“releasing Resources to the Frontline”*.
- 3.2 Cabinet at its meeting of 14 April 2005 endorsed the Authority’s approach with respect to delivering efficiency gains. At Council on 20 April 2005, the decision was made to delegate authority to the Chief Executive and the Head of Financial Services, in consultation with the Leader of the Council and the Cabinet Member for Finance and Corporate Affairs, to approve and submit future Annual Efficiency Statements.

#### **4. KEY ISSUES**

- 4.1 Briefly, the Council has to find 2.5% efficiency gains each year for the financial three years commencing 2005/2006, which do not have an adverse effect on service performance. A minimum of half these efficiency gains are to be in cash for reinvestment in services elsewhere, whilst the rest can take the form of more outputs for the same level of inputs – non-cashable efficiency gains.
- 4.2 The baseline for calculation of the 2.5% efficiency gains for 2005/2006 is the original 2004/2005 combined revenue and capital budgets, whilst for 2006/2007 and 2007/2008 the baseline is the 2004/2005 combined revenue and capital outturn figure. The combined revised annual gains targets are set out in the table below :-

Financial Year	Target Efficiency Improvement (year on year)	Total Target (cumulative)	Cashable Target (year on year)	Cashable Target (cumulative)
	£	£	£	£
2005/2006	530,000	530,000	265,000	265,000
2006/2007	333,000	863,000	166,500	431,500
2007/2008	334,000	1,197,000	167,000	598,500

- 4.3 The initial efficiency exercise undertaken in March 2005 to identify Gershon gains for 2005/2006 focused on cashable efficiency gains, as at the time of preparation further guidance was awaited from ODPM in respect of non-cashable efficiency gains. The Council submitted gains totalling £830,290 for 2005/06 (including allowable gains of £201,117 carried forward from 2004/05), of which £825,861 was cashable, against its target of £530,000.
- 4.4 As part of the Budget preparation for 2007/2010 a further exercise to identify cashable and non-cashable efficiency gains has been completed. The results of this exercise are shown on Appendix 1. From Appendix 1, whilst it can be seen the Authority has exceeded the efficiency targets, some of the identified efficiencies need to be agreed with our external auditors.
- 4.5 The target figure for 2008/2009 is unavailable since it will form part of the Government's 2007 Competitive Spending Review (CSR07) which has not yet been published. It is therefore unclear to what extent efficiency gains identified in CSR04 can be carried forward into CSR07. The recent Local Government White Paper – Strong and Prosperous Communities - states that ambitious efficiency gains will be required as part of CSR07.

#### **5. FINANCIAL IMPLICATIONS**

- 5.1 Efficiency gains are intended to be available for improvements to front-line service. They will also help to deliver low council tax rises. The majority of annual cashable gains have been included in the Budget 2007/2010. The Council needs to monitor ongoing achievement of these efficiency targets.

## **6. LEGAL AND POLICY IMPLICATIONS**

- 6.1 Although there is no statutory requirement to achieve these efficiencies there may be implications for future Government grant settlements. The Audit Commission has included an assessment of the efficiency gains achieved in the Use of Resources element of the new Comprehensive Performance Assessment. Reference to efficiency gains also feature in the Annual Audit and Inspection Letter.

## **7. RISK MANAGEMENT**

- 7.1 The potential impact of not meeting Government requirements for efficiency and improvement already feature in our Corporate Risk Register of key risks. If the Council were unable to fulfil the annual efficiency gains target, this would have a negative impact on the Council's reputation amongst its residents and other key stakeholders.
- 7.2 Currently, DCLG is stating all cashable efficiency gains will be available for reinvestment, however, it cannot be ruled out a future Government may take into account a proportion or all of the gains in determining future finance settlements.

## **8. CONCLUSIONS**

- 8.1 It is appropriate to include all the efficiency gains identified in the Budget 2007/2010.
- 8.2 Continual success in the achievement of efficiency gains will benefit the people of Wyre Forest.

## **9. CONSULTEES**

- 9.1 CMT

## **10. BACKGROUND PAPERS**

- 10.1 Measuring and Reporting Efficiency Gains – A Guide to Completing Annual Efficiency Statements – Government Publication May 2006
- 10.2 Delivering efficiency in Local Services – Government policy publication January 2005.
- 10.3 Efficiency Technical Note (ETN) for Local Government issued by ODPM January 2005.
- 10.4 Council Minute CM 958 20 April 2005.
- 10.5 Report to Cabinet 14 April 2005