

## ITEM

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**Executive – 4 September 2008**

### **ANNUAL EFFICIENCY STATEMENTS – (GERSHON)**

**Report of:** Head of Financial Services

**Statutory Powers:** S.151 Local Government Act 1972

**Financial Implications:** Gershon efficiencies of £1,605,600 have been made compared to our three year target of £1,081,000.

**Purpose:** To inform the Executive of the achievements to date in achieving government efficiency targets. Consideration of this item relates to CP6 – “Improve core service performance in a cost effective way”.

#### **RECOMMENDATION:**

**That the Executive RESOLVES to note the report.**

## **1 Introduction and Background**

- 1.1 Following the outcomes arising from the Gershon Review, the Government’s 2004 Spending Review has set every local authority a target for efficiency gains of 2.5 per cent for 3 years – with 2004/05 acting as the baseline. Local Government has been set an overall target of achieving efficiency savings of £6.45 billion by the end of 2007/08.
- 1.2 A key point with the overall target is that at least one-half of efficiency gains should be “cashable”. These can be defined as those 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 or help keep council tax increases down to reasonable levels. The remainder of the gains are “non-cashable” where the gains do not necessarily lead to lower costs, but which lead to improved performance for the resources used.
- 1.3 All Councils were required to submit to the Government on or before 8 July 2008 their efficiencies achieved in 2004/05, 2005/06 2006/07 and 2007/08 in the Annual Efficiency Statements (AES) which will be subject to audit.

## **2 EFFICIENCY TARGETS FOR SOUTH HAMS DISTRICT COUNCIL**

2.1 The Government targets have been based upon outturn data for 2004/05, including our capital spend and are as follows:

	Annual Target	Cumulative total
2005/06	£360,000	£360,000
2006/07	£361,000	£721,000
2007/08	£360,000	£1,081,000

2.2 As indicated in the table above our savings target is approximately £360,000 per annum for each of the 3 years of which at least £180,000 per annum will need to be “cashable” savings. The meeting of efficiency targets forms a key part of the Use of Resources process. Indeed as an ‘excellent’ council we treated the 2.5% target as the bare minimum to be achieved.

## **3 ANNUAL EFFICIENCY STATEMENT 2007/08**

3.1 A summary of the efficiency savings identified in our AES totalling some £1,605,600 is attached in Appendix A. We actually achieved our three year total before the end of 2006/07, a year before the deadline of the end of March 2008.

3.2 The main areas of achievement have been; Culture and Sport – transfer of our Leisure Facilities; Environmental Services - the review of street sweeping and the increased amounts of recycled waste; Corporate Services - the management review, shared services and restructuring within services; Transactions – improved BVPI’s and methods of working in Housing Benefits and Council Tax; Transport – renegotiation of the average fare paid to bus operators for the free fare scheme.

## **4 Future Savings**

4.1 Members will recall that the new target is based on 3% of our budget and amounts to £460,000 per annum, importantly it now all has to be cashable as opposed to the 50% non cashable split of the previous regime. Savings of £575,000 were built into this year’s base budget. These savings are key to achieving a balanced budget and it is important that they are monitored during the year.

## 5 Risk Assessment

Opportunities/Benefits	
Achieving the savings has enabled the Council to set a balanced budget and reinvest monies into services and keep increases in council tax within Government limits.	
Issues/Obstacles/Threats	Control Measures/Mitigation
<ul style="list-style-type: none"><li>• failure to achieve Government target</li><li>• failure to achieve budgeted cash efficiencies</li></ul>	An officer 'Gershon' Steering group oversees the efficiency agenda. Monitoring of savings was carried out by SMT and the Executive.

## 6 Conclusion

- 6.1 It is pleasing to note that actions taken to date have resulted in substantial savings and we have comfortably exceeded our three year target. However, it is important that we continue to strive for efficiencies to demonstrate that we are a continually improving authority. In addition, our budgets have to be balanced and the act of achieving efficiencies allows resources to be switched to other priority services.

John Foxworthy  
Head of Financial Services

Executive  
4 September 2008

**Background papers:**  
None

## APPENDIX A

	Total	of which is Cashable
	£	£
Culture and Sport	299,600	299,600
Environmental Services	347,300	347,300
Corporate Services	425,100	357,900
Transport	250,300	250,300
Transactions	163,200	122,100
Other efficiencies	120,100	116,000
<b>Total</b>	<b>£1,605,600</b>	<b>£1,493,200</b>