

MEETING OF THE CABINET – 20TH APRIL 2005

JOINT REPORT OF THE CHIEF EXECUTIVE AND DIRECTOR OF FINANCE

ANNUAL EFFICIENCY STATEMENT 2005/06 (GERSHON)

1.0 PURPOSE

- 1.1 To inform the Cabinet of the 2005/06 Annual Efficiency Statement submission and Government requirements for achieving annual efficiency gains.

2.0 BACKGROUND

- 2.1 The 2004 Comprehensive Spending Review included assumptions about annual levels of efficiency savings and gains. For Local Government as a whole, there was an expectation that total efficiencies of at least £6.45bn could be achieved in the three years to 2007/08 – the equivalent of 2.5% of annual spending (compared to a baseline calculated for 2004/05). It was expected that the efficiencies would be achieved in the following areas:-

- 40% of savings expected from schools
- 10% through Policing
- 35% through Procurement in other services e.g. Adult Care, Social Housing, Children Services, Highway maintenance & Waste

Further savings are expected through increased rationalisation of back office functions and improved staff productivity.

- 2.2 The Government's original assertion was that these efficiencies should free-up resources to invest in and improve key front-line services. More recently, however, in the context of capping, the Minister for Local Government has suggested that cashable efficiency savings could be used to hold down Council Tax increases.
- 2.3 Although the Government announced in November 2004 its intention to require all public sector bodies to produce Annual Efficiency Statements (AES), detailed guidelines were not issued to local authorities until 28th January 2005 with the requirement that the first AES be submitted to the ODPM by 15th April.
- 2.4 The requirements for submitting AES (based on 2005/06 financial year requirements) are:-
- (a) A forward-looking part, setting out expected efficiency gains and the strategy for achieving them in the forthcoming financial year (i.e. 2005/06) by 15th April
 - (b) A backward-looking part, setting out the actual efficiency gains achieved in the previous financial year (i.e. 2004/05) by 15th June

(c) (For all “not excellent” single tier authorities)

A mid-year update on progress in 2005/06

by 17th November

2.5 The AES has to be formally signed by the Leader, the Chief Executive and the Statutory Chief Financial Officer, will be subject to External Audit and will be assessed as part of the Use of Resources Section in the Comprehensive Performance Assessment.

2.6 Efficiencies are classified as either:-

- Efficiency Gains - doing more with the same resource
- Efficiency Savings - doing the same (or more) with less resource

Half of the efficiency targets for each Authority are expected to be cashable efficiency savings.

2.7 The baseline position for Dudley has been calculated at £213.3m, excluding Schools and the HRA (although HRA efficiencies can be set against the efficiency targets), but including capital spending and Dudley's share of spending by the Passenger Transport Authority. Our efficiency targets are:-

	Total £m	of which Cashable £m
2005/06	5.33	2.67
2006/07	10.67	5.33
2007/08	16.00	8.00

2.8 Efficiency gains and savings achieved in 2004/05, which have an on-going effect into 2005/06 (and later years) can be set against the targets for those years.

2.9 The format and details of the AES are prescribed by Government as are the definitions of what constitutes an efficiency gain or cashable efficiency saving, although the interpretation of these definitions will be subject to external audit scrutiny.

2.10 Efficiency gains are reasonably straight-forward broadly delivering more service within the same resource envelope or level – example, absorbing legislative and demographic pressures. Efficiency savings can be more difficult and complicated to assess and include:-

- (a) procuring goods and services at lower inflation than industry norms, standards or indices - e.g. electricity and gas contracts or arranging Child Care placements at costs lower than the norm
- (b) managing with less resources - e.g. dealing with lower Government grant allocations or absorbing pressures arising from staff turnover

- (c) Improved productivity - e.g. Exploiting technology by self-serve on-line provision; e-payments; e-forms or improving levels of sickness in the workforce
- (d) Partnering arrangements - e.g. working with private sector to sponsor events or innovative ways of delivering capital schemes or delivering shared services

very little of which may result in actual cash savings compared to existing budget levels. Some, but not all, of the savings included in the approved 2005/06 Budgets can be included as cashable efficiency savings.

2.11 A copy of the first Dudley AES, in the form required by Government, is attached at Appendix 1. It was signed-off by the Leader, Chief Executive and Director of Finance and sent electronically to ODPM by 15th April 2005.

2.12 The following table compares the 2005/06 efficiency targets with the submitted AES:-

	Total Efficiencies £m	Cashable Efficiencies £m
2005/06 Target	5.33	2.67
First AES	4.83	3.78
To be found from 2004/05 Efficiencies	0.50	-

* Whilst the backward-looking part of the AES is not required until June, preliminary assessment of the 2004/05 position shows that the balance for 2005/06 will be more than met.

2.13 Dudley`s planned efficiencies largely fall into the following broad categories:

- Better Procurement performance - e.g. contract negotiations and partnership arrangements.
- Exploiting New Technology - e.g. e-transactions; modernising systems and better citizen access.
- More productive Working Arrangements - e.g. improved human resource management and reviewing processes and structures.

2.14 As paragraph 2.10 says, not all cashable efficiency savings by any means result in actual savings. The total value of efficiencies we have proposed in the first AES can be analysed as:-

	£m
• Anticipated procurement savings	1.4
• Budgeted efficiency savings	0.4
• Managing early retirements	0.3
• Supporting People allocations	0.3
• Absorbed spending pressures	0.3
• ICT & increased productivity	0.3
• Care Packages	0.2
• Income generation	0.2
• Other Miscellaneous	0.4
Total Cashable Efficiency Savings	3.8
• Other ICT & Productivity gains	0.5
• Other absorbed spending pressures	0.3
• Increased service quality	0.2
Total Non-Cashable Efficiency Gains	1.0
Total Efficiencies	4.8

Note: Some types of efficiency such as ICT & Productivity gains may be either cashable if they potentially release real cash resources for use for other purposes or non-cashable if they free up, say staff time to carry out other duties.

- 2.15 From necessity, the process which has been used to compile the first AES was a short term expedient to respond to the tight deadline. In due course, a much more considered process will need to be put in place which incorporates efficiency planning as a fundamental part of the Council's strategic planning and performance management processes. It is suggested that the Chief Executive and Director of Finance determine how best this should be done and report back to Cabinet in early Summer by which time the backward-looking report has to be submitted.

3.0 PROPOSAL

3.1 That Cabinet:-

- (i) notes the Annual Efficiency Statement 2005/06 forward-looking submission;
- (ii) requests the Chief Executive and Director of Finance bring a further report which outlines the backward-looking gains for 2004/05 and considers how best to incorporate efficiency planning into the Council's strategic planning and performance management processes.

4.0 FINANCE

- 4.1 Section 2 of the report considers the financial gains achieved or planned as part of the 2005/06 statement. These figures have been based upon the Council's current plans and have already been taken into account as part of the 2005/06 budget. Any new gains that emerge subsequently will need to be considered as part of the Council's Financial Management Regime.

5.0 LAW

- 5.1 The Council may do anything incidental to, conducive to, or which facilitates the discharges of its functions under Section 111 of the Local Government Act 1972.
- 5.2 The provision of an Annual Efficiency Statement is required by the Government, but is not a statutory obligation.

6.0 EQUAL OPPORTUNITIES

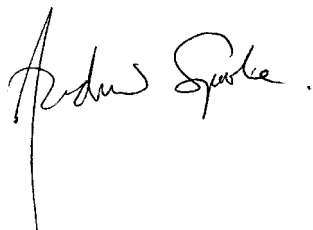
- 6.1 There are no direct implications from this exercise for the Council's Equal Opportunities policy, albeit any actual proposals to achieve future gains may have implications.

7.0 RECOMMENDATION

- 7.1 That the proposals set out in Section 3 be approved.

8.0 BACKGROUND PAPERS

- 8.1 (i) The ODPM have issued a Guidance Note which can be found at http://www.odpm.gov.uk/stellent/groups/odpm_localgov/documents/page/odpm_locgov_034633.pdf
- (iii) Various file notes and supporting information.



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CHIEF EXECUTIVE



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DIRECTOR OF FINANCE

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DUDLEY METROPOLITAN BOROUGH COUNCIL

ANNUAL EFFICIENCY STATEMENT 2005/06 FORWARD LOOK

Strategy for securing efficiency gains

The Council recognises the need to identify real efficiencies for 2005/06 which can bring quantifiable benefits and produce measurable gains. We will work with partners and centres of excellence to further benchmarking and good practice and to develop new opportunities for ongoing efficiencies through technology and reviewing processes.

Key actions to be taken during the year

These generally fall into the following categories:

- BETTER PROCUREMENT
- EXPLOITING TECHNOLOGY
- MORE PRODUCTIVE WORKING

The Council will also implement a number of new initiatives designed to improve general levels of PERFORMANCE, to include: a new corporate performance management framework & system; the introduction of the Challenge process to Directorate Strategic Planning to see that priorities are clearly linked, targets are appropriate and specific, and that cross service issues are adequately addressed; and reviewing the outcome of the Performance Management Measurement and Information (PMMI) initiative with the IDeA.

The 2005/06 efficiency gain target will not be met from gains planned for that year alone. However, it is anticipated that gains achieved in 2004/05 continuing for the duration of the Spending Review period will ensure that the target is achieved. These are provisionally estimated to amount to £6.8m, of which £5m are cashable.

	Expected annual efficiency gains (£)	...of which related to capital spend (£)	...of which related to other spend (£)	...of which cashable (£)
Adult social services	522,000			322,000
	Strategy: Improved staff productivity, use of technology and better asset management. Key actions: Improvement in sickness rates. Recycling of Aids & Adaptations equipment. Increased availability days for frontline services, including Day Centres. Workflow to integrate document management to support the Electronic Social Care record.			
Children's services	383,000			274,000
	Strategy: Improved staff productivity and exploring more cost effective service delivery options.			

	Expected annual efficiency gains (£)	...of which related to capital spend (£)	...of which related to other spend (£)	...of which cashable (£)
	Key actions: Review of service provision to enable (on average) lower cost services whilst continuing to meet Clients assessed needs - using the established "efficiency formula". Improvement in sickness rates. Increased availability days for frontline services. Use of Workflow (as with Adult Services).			
Culture and sport	57,000			57,000
	Strategy: Provision of cultural events at a lower cost to the Council. Key actions: Alternative service delivery options to be explored.			
Environmental services	140,000			140,000
	Strategy: Maximising the financial benefits from reviewing procurement arrangements. Key actions: Obtain better value from recycling contracts.			
Local transport	245,000	140,000	105,000	190,000
	Strategy: Further develop new ways of working in partnership with the private sector and sponsorship arrangements. Key actions: Extend partnering contracts to the Brierley Hill Sustainable Access Network (the "parallel Route") - early contractor involvement and subsequent design and procurement efficiencies will save on the need for in-house resources.			
LA social housing	793,000	209,000	584,000	793,000
	Strategy: Ongoing review of all aspects of provision ensuring effective utilisation of resources - to meet tenants' aspirations and ensure Decent Homes targets are achieved. Key actions: Maximise rental income from housing stock. Improve working practices (in line with partnering principles) etc. to reduce costs on repairs, maintenance and improvement works. Improve front-line services to tenants.			
Non-school educational services	263,000			233,000
	Strategy: Improved staff productivity and operational management.			

	Expected annual efficiency gains (£)	...of which related to capital spend (£)	...of which related to other spend (£)	...of which cashable (£)
	Key actions: Additional provision of Youth Services at no additional cost. Absorbing other pressures within existing resources.			
Supporting people	322,000			322,000
	Strategy: Review contracts and administration of the scheme within a reduced level of grant. Key actions: Change working practices. Restructure and re-evaluate existing services.			
Homelessness	4,000			2,000
	Strategy: Improve the provision of temporary accommodation and support to homeless households. Key actions: Reduce length of hostel stays enabling more families to be assisted.			
Other cross-cutting efficiencies not covered above				
Corporate services	811,000			480,000
	Strategy: Use of Technology:- Exploit new technology to focus our strategic planning in the following areas whilst meeting national and local targets and priorities. <ul style="list-style-type: none">Transforming access to information and services to suit the needs of citizens;Developing, improving and modernising business and professional systems;Ensuring that ICT infrastructure is developed to support the Council's objectives and to be responsive to new opportunities; Other Corporate Services:- Annual service reviews as part of the budget process to identify where resources can be freed from improved productivity enabling legislative and other pressures and service developments to be met from within existing resources.			

	Expected annual efficiency gains (£)	...of which related to capital spend (£)	...of which related to other spend (£)	...of which cashable (£)
	<p>Key actions: Use of Technology:- In addition to initiatives relating to specific service areas:</p> <ul style="list-style-type: none"> • Information Management & Access to Services Extend e-forms, e-bookings, etc. Implement Web Content Management; A-Z of services available on web site. Implement Customer Relationship Management system and integrate into at least one "back office" system. Develop partnerships, e.g. Black Country Smartcard / Smart Region initiative. Exploit Internet to deliver 24x7 services by introducing more services online. • Business & Professional Systems Implement new financial systems. Electronic production of Committee Papers Develop on-line viewing of large reports and implement facilities for remote printing. • Infrastructure Implement Voice-Over-Internet Protocol (VOIP). Connect our Wide Area Network (WAN) to regional or national government networks. Replace Integrated Services Digital Network (ISDN) with a Broadband solution. <p>Other Corporate Services:- Restructure Finance "back-office" functions to reduce staffing numbers whilst maintaining service quality.</p>			
Procurement	387,000			387,000
	<p>Strategy: Use Forward Procurement Plan to identify potential contract cost savings. Focus on the National Procurement Strategy and extend use of the technological innovations.</p>			

	Expected annual efficiency gains (£)	...of which related to capital spend (£)	...of which related to other spend (£)	...of which cashable (£)
	<p>Key actions: In addition to initiatives relating to specific service areas:</p> <ul style="list-style-type: none"> • Purchasing Replacement of Corporate Purchasing System. Extend roll-out of Purchasing Cards, implement e-tendering and review e-auction opportunities and commence work on “e-market place”. Develop web site selling. Achieve benefits outlined by the ODPM in the National Procurement Strategy. • Partnerships Develop consortia contracts within the Black Country Purchasing Consortium to enable contract economies of scale and efficiency savings in contract management. Develop links with the Regional Centre of Excellence and explore other partnerships. 			
Productive time	277,000			277,000
	<p>Strategy: Improvements in ICT and other working arrangements to free-up staff time, enabling additional functions and duties to be taken on. Review of existing business processes, effective people management and a systematic approach to pay, productivity and workforce issues to release more customer contact time.</p> <p>Key actions: In addition to initiatives relating to specific service areas:</p> <ul style="list-style-type: none"> • ICT Implement modern financial systems across the whole range of financial services. Expand Electronic Document Management and Outlook. Implement more customer self-service options. Use Workflow to improve linkage between our new customer-facing Dudley Council Plus organisation and back-office service delivery systems. • Management Continued development of our Pay and Reward strategy. Streamlined redeployment process. Greater use of internet recruitment channels. More pro-active and wider ranging occupational health service. More flexible approach to annual leave and working time. 			

	Expected annual efficiency gains (£)	...of which related to capital spend (£)	...of which related to other spend (£)	...of which cashable (£)
Transactions	107,000			37,000
	<p>Strategy: Exploit opportunities to reduce transactional costs and increase the public choice.</p> <p>Key actions: Exploit e-payment facilities, e.g Automated Telephone Payments and Webstaff. Exploit features offered by mobile working (Housing Benefits).</p>			
Miscellaneous efficiencies	520,000			267,000
	<p>Strategy: Ongoing review of service provision to ensure that maximum value is gained from resources to achieve desired service outcomes.</p> <p>Key actions: Absorb new pressures within existing resources. Restructure service provision and establish new ways of working to maintain outputs at lower cost.</p>			
Total	4,831,000	349,000	689,000	3,781,000

Note: Columns 2 and 3 **are provided only** for Transport and Housing as a further analysis required by the ODPM.