

Report to: **Cabinet**

Date: **19 April 2005**

By: **Deputy Chief Executive and Director of Corporate Resources**

Title of report: **Annual Efficiency Statement – Submission of Forward Look for 2005/06**

Purpose of report: **To seek Cabinet endorsement of the forward looking Annual Efficiency Statement for 2005/06**

## RECOMMENDATIONS

**Cabinet is recommended to:**

- 1. note the report; and**
- 2. endorse the forward looking Annual Efficiency Statement for 2005/06.**

### 1. Financial Appraisal

1.1 There are no direct financial implications from this report. Since the report to Cabinet on 1 February 2005, the Government has refined its calculation of the annual efficiency target and the current estimate for East Sussex is £6.91m per annum and £20.74m in total after three years. This is marginally lower than the previously reported figures of £7.1m and £21.3m.

### 2. Current position

2.1 Since 1 February 2005 further guidance on delivering efficiency in local services and the submission of the Annual Efficiency Statement (AES) has been issued by the ODPM. This has not significantly changed any of the previous guidance but has formally confirmed that the forward looking AES must be submitted by 15 April 2005 and that efficiencies achieved in 2004/05 that continue through to the end of 2007/08 can be counted towards our 2005/06 target.

2.2 An indicative breakdown of the current £6.91m annual target is set out below:

AES Sector	2004/05 baseline spend per ODPM guidance £m	Indicative 05/06 efficiency target £m
Adult social services	132.4	3.31
Children's services	32.4	0.81
Culture and sport	8.1	0.20
Environmental services	15.6	0.39
Local transport	24.7	0.62
LA social housing	0.0	0.00
Non-school educational services	19.3	0.48
Supporting people	0.0	0.00
Homelessness	0.0	0.00
Other / non allocated	22.1	0.55
Sub total revenue	254.6	6.36
Capital	22.0	0.55
Total	276.6	6.91

2.3 Work on the Council's efficiency strategy and the AES has been led by the Deputy Leader, the Deputy Chief Executive and Director of Corporate Resources and the Service Efficiency and Procurement Management Board, in consultation with Chief Officers, the Financial Management

Team and Performance Managers. This work will continue after the submission of the AES and progress will be reported to future Cabinet meetings.

2.4 The process so far has confirmed the difference of approach between the AES and our budget planning process, for example the concept of non cashable savings, and this will need to be taken into account when we consider the future development of the Reconciling Policy and Resources process. This is consistent with the approach to value for money to be adopted in Comprehensive Performance Assessment (CPA) 2005 which will also place greater emphasis on the use of comparative unit costs and benchmarking data.

2.5 A draft of the AES is attached as Appendix A which follows the ODPM's format which requires us to set out:

- our strategy for achieving efficiency gains
- the actions we will take to deliver those efficiency gains during the year
- our expected efficiency gains analysed by cashable and non-cashable, by service and by cross cutting themes.

Some further minor formatting changes will be necessary to allow submission electronically via the Electronic Service Delivery (ESD) Toolkit.

2.6 The total efficiency gain for 2005/06 set out in the forward looking AES currently stands at £7.480m of which £6.539m or 87.4% is cashable. When ongoing savings from 2004/05 are taken into account this rises to £13.292m of which £10.975m or 82.6% is cashable and this exceeds our target of £6.91m. Both the text and figures within the AES will continue to be refined up to the submission date to reflect any new guidance, updated information about savings and to remove items where there is a definitional risk to their validation.

2.7 All the indications are that the Audit Commission will only carry out a light touch review of the AES in the initial stages of the process, relying on the Council's own self assessment; however, a more robust approach is likely to be put in place when the AES is considered as part of the use of resources element within the new CPA regime in autumn 2005.

2.8 The process itself continues to be plagued by definitional issues including in key areas such as the calculation of the financial value of non cashable efficiency gains and the treatment of efficiency gains from capital projects. The Government has set up a Measurement Taskforce to resolve these and other similar issues and further guidance is expected to be issued through to the autumn.

2.9 Whilst the external driver of producing the AES is important, what is critical is the Council's own approach to maximising efficiency and the work outlined in 2.3 above will be a key input to Reconciling Policy and Resources in the future.

SEAN NOLAN – DEPUTY CHIEF EXECUTIVE AND DIRECTOR OF CORPORATE RESOURCES

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Background Documents:

Efficiency and the Gershon Review – Report to Cabinet 1 February 2005

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**East Sussex County Council  
Draft Annual Efficiency Statement (AES) 2005/06 – Efficiency Gains Forward Look  
Strategy for Securing Efficiency Gains**

1. The County Council is proud of its record on efficiencies. Indeed, since 2001 the Council has put 'efficient operations' as one of its key corporate objectives as part of its 'Reconciling Policy and Resources Initiative'. The need for such a focus, while consistent with the Council's core values, has been crucial in helping to mitigate at least part of the damaging national revenue funding formula changes introduced in 2003/04. For the last four years, including 2005/06, the Council will have delivered £15m of annual 'cashable' savings, very largely through efficiencies and better ways of working. It is regrettable, therefore, that a large part of this will not score for the purposes of the AES for 2005/06 and future years.
2. The annual process of Reconciling Policy and Resources requires service plans, routinely, to deliver efficiency savings as well as identifying areas for further detailed reviews. This is part of the wider process - for both revenue and capital – which links resources with policies, to produce our Council Plan, at the lowest council tax impact possible. This is complemented by the Best Value review work of our Scrutiny Committees and monitoring through the Council's overarching performance management system.
3. Looking forward, the Council intends to inject even more impetus into its efficiency agenda. In respect of that specific agenda, its core values will be:
  - prioritising efficiencies which represent a benefit to the council tax payer, who is also a customer in his/her own right;
  - ensuring efficiencies are linked to service improvement agenda and customer focus;
  - securing maximum sustainable efficiencies;
  - working with Members and Partners as effectively and creatively as possible;
  - ensuring the motivation of staff by engaging both 'bottom up' and 'top down';
  - challenging positively our current arrangements.
4. The Council is adopting an approach which has three inter-related strands:
  - (a) the general ongoing expectation on all our services, staff and on the whole leadership of the Council to maximise productivity;
  - (b) maximising the potential of initiatives that can, and should, be applied County-wide (e.g. procurement, flexible working);
  - (c) addressing our key service streams (where we spend most of our money) against the challenging question "can this be done more efficiently in a different way or in partnership or by others"?
5. Each of the above generates a whole series of ongoing action themes and areas. These are expanded upon later but include:
  - exploiting the potential of our new SAP based back-office systems;
  - aligning our reward, motivation and incentive strategies;
  - maximising routine "good housekeeping" (e.g. absorbing the cost of salary increments);
  - exploiting the opportunities for 'Invest to Save';
  - exploiting further the potential for partnership working (e.g. Children's Services, LSP etc).
6. The process will be monitored through the Council's performance management systems.

**Key actions to be taken during the year**

7. Adult Social Services

Our strategy, and consequent actions, are directed towards promoting alternatives to long term residential care and avoiding unnecessary admission to hospital (with the consequent impact on delayed discharges). Clearly, all this is heavily dependent on effective partnership working with the local health economy. Other key operational efficiency actions are aimed at balancing the growth of independent fee rates against continuity of supply, reviewing the efficient balance between in-house

and external home care provision and managing the proper alignment of eligibility criteria and available resources. Our planned actions also include efficiency measures for administrative processes through, for example, the use of electronic social care records and contact centre technology.

#### 8. Children's Services

We have embarked on a major change programme to create a new Children's Services Directorate, with the initial focus on maximising the integration opportunities of a number of practical action areas (e.g. the educational attainment of looked after children, implementation of children's centres etc). In respect of vulnerable children, we will be reviewing the balance between direct and external provision for high dependency cases. We will be developing further our successful investment in foster care provision. Cashable efficiencies will include reducing accommodation and telephony overheads through more efficient use of office space and flexible working. Non cashable efficiencies will accrue through the economies of scale produced by bringing together support functions for finance, property client, contracts management, and performance improvement.

#### 9. Culture and Sport

The main focus in this area will be in respect of our libraries and, in particular, the use of 'one stop shop' and contact centre technology to promote more effective access to all County Council services. We will also be considering specific procurement opportunities (e.g. library books).

#### 10. Environmental Services

Our Waste PFI contract will continue to deliver increases in recycling and diversion from landfill. We will be continuing our successful 'Buy with Confidence' scheme and enhancing access to and service on planning enquiries.

#### 11. Local Transport

We will be completing the re-tendering of our major highways maintenance contracts and hope to secure prices ahead of industry inflation trends. At the same time we will be improving customer access through the introduction of new call centre technology. We will be targeting highway maintenance backlogs as part of our highway asset management plan. In respect of transport we will continue to manage bus subsidy contracts actively and facilitate a 'modal shift' in transport patterns. In terms of major capital spend (i.e. LTP) we will seek to over-achieve targets and gain appropriate levels of developer contributions to enhance the local infrastructure.

#### 12. Non-School Education Services

Improvements in home to school transport contracts are being sought, together with the management of provision for children with special educational needs to avoid, where possible, expensive external placement by more efficient, but equally effective, internal arrangements. Further non-cashable efficiencies in the services to schools will be achieved through the assimilation of the Schools ICT Technical/Network team into the Corporate ICT technical support team in September 2005.

#### 13. Supporting People

We will be implementing the medium term strategy recently agreed by Cabinet and, in particular, ensuring the implementation of the efficiency funding reduction required by Government, during 2005/06.

#### 14. Cross Cutting Efficiencies

##### (i) Corporate Services

We will roll out further improvements in the procurement and management of major capital investment in property and building maintenance. The new back office systems will be used to realise the benefits already identified. Furthermore, there will be a robust focus on exploiting fully efficiency savings from recent and planned 'E-Government' investment. We will roll out a proven

flexible working solution which will reduce property costs, non-productive time and staff travel (in conjunction with 'green travel' plans). We will be reviewing office accommodation and setting efficiency targets for the use of all our buildings. We will be targeting energy consumption (in conjunction with the Carbon Trust) across the range of our services. We will continue to pursue opportunities to collaborate with partners where this delivers better, more efficient outcomes, for example, the work of the jointly funded Travellers Liaison Officer and projects such as East Sussex in Figures.

(ii) Procurement

Through our Corporate Procurement Strategy we will be maximising procurement efficiencies through the implementation and use of e-procurement including the opportunities offered by 'e-tender' technology and savings from both County-wide contracts and those for individual services. We will continue to work closely with partner organisations through the South East Centre for Excellence and the East Sussex Procurement Group to achieve efficiency gains from collaborative procurement wherever possible.

(iii) Productive Time

In terms of our most important resource, our staff, we will be identifying appropriate organisational development and support arrangements, including flexible working, to motivate efficient working and eliminate inefficient, non-core working. We will continue to improve our management of attendance reducing the financial and non-financial impacts of staff absence. We will enhance further a robust approach to continual efficiency benchmarking and linking of performance to budgets.

**Expected annual efficiency gains 2005/06**

Sector	Expected annual efficiency gains 05/06 Forward Look £'000	...of which cashable £'000	Total expected annual efficiency gains 05/06 (including 04/05 ongoing gains) £'000	...of which cashable £'000
Adult social services	2,906	2,406	4,985	3,325
Children's services	75	75	75	75
Culture and sport	30	30	30	30
Environmental services	157	60	1,123	1,026
Local transport	792	687	891	786
LA social housing	0	0	0	0
Non-school educational services	574	574	1,291	1,291
Supporting people	600	600	600	600
Homelessness	0	0	0	0
Corporate services	1,859	1,829	3,382	3,382
Procurement	206	206	208	208
Productive time	209	0	425	0
Transactions	0	0	0	0
Miscellaneous efficiencies	72	72	252	252
<b>Total</b>	<b>7,480</b>	<b>6,539</b>	<b>13,292</b>	<b>10,975</b>