

## AGENDA MANAGEMENT SHEET

<b>Name of Committee</b>	<b>Cabinet</b>
<b>Date of Committee</b>	<b>17 November 2005</b>
<b>Report Title</b>	<b>2005/06 Annual Efficiency Statement Mid-Year Update</b>
<b>Summary</b>	This report gives an update of the forecast level of efficiency gains that are expected to be achieved in 2005/06
<b>For further information please contact:</b>	Michael Furness Principal Accountant Tel: 01926 412666 michaelfurness@warwickshire.gov.uk
<b>Would the recommended decision be contrary to the Budget and Policy Framework?</b>	No.
<b>Background papers</b>	2005/06 Annual Efficiency Statement, Cabinet, 6 April 2005

**CONSULTATION ALREADY UNDERTAKEN:-**

Details to be specified

Other Committees	<input type="checkbox"/>	.....
Local Member(s)	<input type="checkbox"/>	.....
Other Elected Members	<input checked="" type="checkbox"/>	Cllr Naylor, Cllr Roodhouse
Cabinet Member	<input checked="" type="checkbox"/>	Cllr Farnell, Cllr Cockburn
Chief Executive	<input checked="" type="checkbox"/>	Jim Graham
Legal	<input checked="" type="checkbox"/>	David Carter
Finance	<input checked="" type="checkbox"/>	David Clarke – reporting officer
Other Chief Officers	<input type="checkbox"/>	.....
District Councils	<input type="checkbox"/>	.....
Health Authority	<input type="checkbox"/>	.....
Police	<input type="checkbox"/>	.....
Other Bodies/Individuals	<input type="checkbox"/>	.....

**FINAL DECISION YES**

**SUGGESTED NEXT STEPS:**

Details to be specified

- |  |                          |       |
|--|--------------------------|-------|
| Further consideration by<br>this Committee | <input type="checkbox"/> | ..... |
| To Council                                 | <input type="checkbox"/> | ..... |
| To Cabinet                                 | <input type="checkbox"/> | ..... |
| To an O & S Committee                      | <input type="checkbox"/> | ..... |
| To an Area Committee                       | <input type="checkbox"/> | ..... |
| Further Consultation                       | <input type="checkbox"/> | ..... |

## Agenda No

### Cabinet - 17 November 2005

#### 2005/06 Annual Efficiency Statement Mid-Year Update

#### Report of the County Treasurer

##### Recommendation

Cabinet are asked to:

- ◆ Note the latest forecast of efficiency gains for 2005/06,
- ◆ Approve the draft 2005/06 Annual Efficiency Statement mid-year update attached at Appendix A for submission to the Government, and
- ◆ Authorise the County Treasurer, in conjunction with the portfolio holder, to make any changes necessary to the 2005/06 Annual Efficiency Statement mid-year update prior to its submission.

## 1 Introduction

- 1.1 In April 2005 the County Council, along with all other local authorities, submitted its 2005/06 forward-looking Annual Efficiency Statement (AES) to the government. Authorities are now required to submit a mid-year update by 17 November 2005, although this is voluntary for authorities such as Warwickshire, with an “excellent” CPA rating. This report updates Cabinet on our planned efficiency gains for 2005/06, provides explanations of the changes from our original submission and seeks Cabinet’s approval to submit the mid-year AES to the government.

## 2 2005/06 AES Mid Year Update

- 2.1 When our 2005/06 forward-looking AES was submitted to the ODPM in April it was anticipating £7.485 million of efficiency gains in 2005/06, of which £3.523 million were considered to be cashable. Now the mid-year review has been completed a number of changes from the planned level of efficiency gains at the beginning of the financial year have been identified. The estimated total of efficiency gains that will be achieved in 2005/06 is now £4.951 million, of which £3.481 million is cashable. This is a reduction in efficiency gains from the planned level for 2005/06 of £2.534 million (£0.042 million cashable). Table 1 summarises the changes from the level of planned efficiency gains.

<b>Table 1: Variations in Forecast Efficiency Gains</b>						
Service Area	2005/06 Forward Looking AES		2005/06 AES Mid Year Update		Variance	
	Total £000	Cashable £000	Total £000	Cashable £000	Total £000	Cashable £000
Adult Social Services	960	560	51	44	(909)	(516)
Children's Services	207	107	352	351	145	244
Culture and Sport	0	0	0	0	0	0
Environmental Services	200	200	820	820	620	620
Local Transport	630	630	351	321	(279)	(309)
Non-School Education	310	310	356	310	46	0
Supporting People	745	495	1,037	1,037	292	542
Corporate Services	132	106	218	211	86	105
Procurement	255	255	118	118	(137)	(137)
Productive Time	1,243	26	1,232	15	(11)	(11)
Transactions	21	2	163	1	142	(1)
Miscellaneous	2,782	832	253	253	(2,529)	(579)
<b>Total</b>	<b>7,485</b>	<b>3,523</b>	<b>4,951</b>	<b>3,481</b>	<b>(2,534)</b>	<b>(42)</b>

2.2 The reasons for the changes in the levels of forecast efficiency gains have occurred for four main reasons:

- ◆ Delays and slippage in the implementation of projects to deliver the anticipated efficiency gains.
- ◆ Some efficiency gains occurring ahead of schedule and therefore having been already counted as part of the gains declared in 2004/05.
- ◆ Changes in the guidance from the government meaning that some forecast efficiency gains can no longer be counted towards meeting the 2.5% target or have to be assessed in a different way.
- ◆ New efficiency gains identified in 2005/06 and the full year effects of gains identified in 2004/05.

By service area the main reasons for the change in the level of planned efficiency gains are summarised below.

### 2.3 **Adult Social Services – reduction of £909,000**

There have been delays on the implementation of the projects forecast to deliver efficiency gains in Adult Social Services. Some of these gains may be achieved by the end of the financial year but at this point these cannot be quantified with any certainty. When the projects to deliver the efficiency gains are completed it is anticipated that the full-year effect will be as predicted in the original AES.

### 2.4 **Children's Services – increase of £145,000**

The key area identified for achieving efficiency gains has been to increase the ratio of foster care to residential placements, as foster care placements are believed to provide a better care option for the majority of looked-after children as well as being more cost effective. The increase in the planned efficiency gain is because the ratio has increased at a greater rate than expected and that this is expected to be sustained throughout the remainder of the year.

**2.5 Environmental Services – increase of £620,000**

The increased levels of recycling and incineration that the County Council is achieving have delivered efficiencies by enabling the authority to avoid some of the increasing costs of landfill. These benefits are being delivered at a faster rate than originally forecast.

**2.6 Local Transport – reduction of £279,000**

The reduction in the forecast efficiency gains is primarily due to slippage in the projects that were being used to bring about the planned efficiencies. There have been delays in agreeing the contract for advertising on street furniture (£100,000) and the benefits of the Carillion contract are being accrued more slowly than expected due to the problems with the contract in 2004/05 (£92,000). The balance is due to new ODPM guidance on the calculation of procurement gains from the purchase of capital assets having to be spread over a longer time period.

**2.7 Non-School Education – increase of £46,000**

The increase is due to the full year effect of efficiency gains that were made in 2004/05.

**2.8 Supporting People – increase of £292,000**

The increase is mainly due to a new efficiency gain resulting from the renegotiation of contract prices.

**2.9 Corporate Services – increase of £86,000**

The increase in forecast efficiency gains is the result of actions taken by support service departments to deliver the cash-savings included as part of the 2005/06 budget resolution. A higher proportion than expected have been delivered through efficiency improvements as opposed to cuts in services or reductions in service quality.

**2.10 Procurement – decrease of £137,000**

The efficiency gain from the introduction of e-procurement is now expected to be less than forecast. The revised calculations have been made based on the level of gains achieved to date, which are felt to be sustainable.

**2.11 Transactions – increase of £142,000**

This increased gain is the result of the continued growth in the use of web-enabled services and the use of the website to answer queries, releasing increased staff time for other activities.

**2.12 Miscellaneous – decrease of £2,529,000**

It is this area that has seen the biggest drop in the level of efficiency gains now forecast from those planned at the beginning of the year. This is due to three significant changes:

- ◆ ODPM Guidance issued since the submission of the original AES now states that the investment in the County Councils infrastructure funded by third party contributions, such as section 106 agreements, can no longer be included unless it can be proved that the investment

would have gone ahead at the same level had the funding not been available. This change in guidance reduced our planned efficiency gains by £1.450 million.

- ◆ There has been slippage in the expected disposal dates of surplus assets, particularly the sale of surplus land at Aylesford, resulting in a £0.571 million reduction of cashable gains. Once the assets are disposed the gains will be realised in subsequent years.
- ◆ An efficiency gain for £0.500 million relating to the reduction of departmental overheads cannot be calculated with any certainty until after the end of the financial year and so it is considered prudent not to include this gain in the AES mid-year update at this stage.

- 2.13 The information summarised in paragraphs 2.3 to 2.12 above has been translated into the format of the mid-year AES submission required by the government. This is attached at Appendix A. Members are asked to approve the submission of the draft 2005/06 mid-year AES to the government.

### 3 In-Year Progress Towards Meting 2005/06 AES Mid-Year Update

- 3.1 Of the £4.951 million gains now being forecast for 2005/06 in the mid-year update £3.043 million have already been realised. This leaves a further £1.908 million efficiency gains forecast to be delivered by the end of the financial year. This is summarised in Table 2 below.

<b>Table 2: 2005/06 Efficiency Gains achieved to date</b>		
	<b>Total £000</b>	<b>Cashable £000</b>
2005/06 AES Mid-Year Update forecast	4,951	3,481
Gains achieved to date	3,043	2,932
<b>Gains still to be achieved</b>	<b>1,908</b>	<b>549</b>

- 3.2 At this point in time it is fully expected that at least the level of efficiency gains forecast in this mid-year update will be achieved by 31 March 2006.

### 4 Overall Progress to Date

- 4.1 Whilst the information in the report to this point indicates we are some way short of delivering the planned 2005/06 forward-looking AES, this needs to be put into the overall context of where the authority is compared to the overall target of achieving 7.5% on-going efficiency gains by the end of 2007/08.
- 4.2 In June 2005 we submitted an annual efficiency statement to the government showing gains in 2004/05 of £6.393 million. This mid-year update includes a

further efficiency gains in 2005/06 of £4.951 million. If these are delivered according to plan the authority would still be £4.594 million ahead of the target at the end of 2005/06. The overall progress to date against the target is shown in more detail in Table 3 below.

<b>Table 3: Progress on Meeting the Efficiency Gains Target</b>						
Year	Cumulative Total Efficiency Gains			Cumulative Cash Efficiency Gains		
	Gov't Target £m	Achieved/ Forecast To Date £m	Balance To Find £m	Gov't Target £m	Achieved/ Forecast To Date £m	Balance To Find £m
2004/05	-	6.393	-		3.077	-
2005/06	6.750	11.344	-4.594	3.375	6.558	-3.183
2006/07	13.500	13.205	+0.295	6.750	8.048	-1.298
2007/08	20.250	13.608	+6.642	10.125	8.315	+1.810

## 5 Next Steps

5.1 Following the submission of the 2005/06 mid-year update to the government the next deadlines are:

- ♦ to submit the 2006/07 forward-looking Annual Efficiency Statement to the government on 15 April 2006, and
- ♦ to submit the final 2005/06 backward looking Annual Efficiency Statement on 16 June 2006.

5.2 Further reports to Cabinet over the next few months will reflect the development of a medium term efficiency strategy and plan, linked to the corporate business plan and departmental service plans, and the development of the processes and reporting arrangements necessary to give members confidence that the authority delivers value for money for the council taxpayers of Warwickshire and that the authority confidently expects to deliver the £20.250 million efficiency gains required by the end of 2007/08.

DAVID CLARKE  
County Treasurer

Shire Hall  
Warwick

17 November 2005

## 2005/06 Annual Efficiency Statement Mid Year Update

	Estimated efficiencies achieved Apr 05 – Sept 05 (inclusive)	Forecast 2005/06 efficiencies	... of which cashable	2004/05 annual efficiency gain	2004/05 ... of which cashable	Forecast cumulative efficiency	... of which cashable
Adult Social Services	23,000	51,000	44,000	912,000	912,000	963,000	956,000
	Explanation of major variances: <ul style="list-style-type: none"> <li>• Modernise services for older people by shifting the balance between residential and community based services – <i>There has been some slippage on these projects and whilst some efficiency gains may be delivered by the year-end, the full gain will be achieved in 2006/07.</i></li> <li>• Commission dementia/EMI beds by developing in-house beds compared to higher cost nursing alternatives – <i>The scheme has been delayed and there will be very few gains this year. The gain is now expected to be fully achieved in 2006/07.</i></li> <li>• Reduce unit costs and improve productivity through the provision of a joint Integrated Community Equipment Service with the health service – <i>Currently it is too early to predict any gains, as there have been difficulties with the project. A reassessment should be possible by the end of December 2005 but at this stage no gains have been forecast.</i></li> <li>• Maximise the gain from our social services assets by working with partners to deliver adult social services – This has been achieved and efficiency gains are being made slightly above anticipated levels.</li> <li>• Centrally procuring social services temporary staff rather than using fragmented procurement – <i>There were delays in negotiating the contract, but some gains are expected to be made in 2005/06, with full year effects in 2006/07.</i></li> </ul>						
Children's Social Services	250,000	352,000	351,000	912,000	911,000	1,264,000	1,262,000
	Explanation of Major Variances: <ul style="list-style-type: none"> <li>• Increase the ratio of foster care to residential care placements for looked after children – <i>A higher level of gains than was initially anticipated has been achieved. These gains have now all been reassessed as cashable.</i></li> <li>• Increase the investment in preventative family support &amp; respite services so as to reduce looked after children numbers – <i>This scheme has not as yet produced any efficiency gains.</i></li> </ul>						
Culture and Sport	0	0	0	34,000	0	34,000	0
	Explanation of Major variances:						
Environmental Services	705,000	820,000	820,000	179,000	175,000	999,000	995,000
	Explanation of Major variances: <ul style="list-style-type: none"> <li>• Increase recycling, waste reduction and re-use and, if necessary incineration, to avoid the need to purchase landfill allowances – <i>The levels of recycling and incineration that have been achieved have exceeded initial expectations.</i></li> <li>• Increase our involvement in partnerships, for example through working with Warwickshire Environmental Trust and the cotton nappies scheme – <i>These schemes have not yet been implemented and therefore no efficiency gains have been realised to date.</i></li> </ul>						



	Estimated efficiencies achieved Apr 05 – Sept 05 (inclusive)	Forecast 2005/06 efficiencies	... of which cashable	2004/05 annual efficiency gain	2004/05 ... of which cashable	Forecast cumulative efficiency	... of which cashable
Local Transport	345,000	351,000	321,000	0	0	351,000	321,000
	Explanation of Major variances: <ul style="list-style-type: none"> <li>• Full implementation of the collaborative roads maintenance contract – <i>This scheme has now been fully implemented and is producing efficiency gains, though at a slightly lower level than originally anticipated.</i></li> <li>• Maintenance and provision of street furniture through a partnership agreement – <i>There has been a delay in letting the contract for the maintenance of furniture and it is not anticipated that any significant efficiency gains will be realised in 2005/06. It is anticipated that gains will be made in 2006/07, but at a reduced level.</i></li> <li>• Improve the provision of parking through working in partnership with Stratford on Avon District Council – <i>This scheme has not produced any of the anticipated efficiency gains to date and it is unclear if they will be realised in the future.</i></li> <li>• Transbus Contract – <i>The contract allowed us to purchase seven buses for a slightly higher amount than the usual price of five buses.</i></li> </ul>						
Non-school educational services	310,000	356,000	310,000	804,000	699,000	1,160,000	1,009,000
	Explanation of Major variances: <ul style="list-style-type: none"> <li>• Maintenance of service provision for services receiving cash frozen grants from DfES – <i>This has been achieved with efficiency gains being made above and beyond those made in 2004/05.</i></li> <li>• Value for money on the retendering of home-to-school transport contracts – <i>There has been no efficiency gains as yet. It is currently unclear if any will be made this year.</i></li> <li>• Refocusing of provision for special needs pupils – <i>There has been no efficiency gains as yet and it is currently unclear if any will be made this year.</i></li> </ul>						
Supporting People	1,037,000	1,037,000	1,037,000	0	0	1,037,000	1,037,000
	Explanation of Major variances: <ul style="list-style-type: none"> <li>• Reduced Contract Costs – <i>A reduction in the cost of a contract was negotiated and backdated, accounting for the increase in the level of efficiency gains.</i></li> </ul>						

	Estimated efficiencies achieved Apr 05 – Sept 05 (inclusive)	Forecast 2005/06 efficiencies	... of which cashable	2004/05 annual efficiency gain	2004/05 ... of which cashable	Forecast cumulative efficiency	... of which cashable
Other cross-cutting efficiencies not covered above							
Corporate Services	211,000	218,000	211,000	203,000	203,000	421,000	414,000
	Explanation of Major variances: <ul style="list-style-type: none"> <li>Introduce new equipment into the Print Unit to give higher production speeds and better quality – <i>The efficiency gains have not yet been realised as the Print Unit is currently merging with our Graphics Unit. This should result in increased efficiency gains in 2006/07.</i></li> <li>Expand the range of services provided by Caretaking/Car Parking Service to provide new services previously outsourced to contractors – <i>It is envisaged that these efficiency gains will be realised, but there are no significant gains currently.</i></li> <li>Complete and implement recommendations arising from the review of shared services opportunities with neighbouring authorities – <i>Discussions with neighbouring authorities have begun but no agreements have been finalised to date.</i></li> <li>Consolidate the office portfolio in the north of the county through the acquisition of Kings House and the consequent vacating of a number of smaller, less appropriate, leased properties – <i>The ingoing costs have been higher than estimated delaying the achievement of any efficiency gains.</i></li> <li>General service savings – <i>Higher than expected efficiency gains have been generated by awarding below inflation increases in budgets and maintaining consistent levels of service.</i></li> </ul>						
Procurement	16,000	118,000	118,000	130,000	130,000	248,000	248,000
	Explanation of Major variances: <ul style="list-style-type: none"> <li>Identify the high risk, high value procurement activity for the coming year to identify the projects where procurement savings might be achieved and the appropriate procurement strategy to adopt in each case – <i>Full year effects have been realised on projects begun in 2004/05 and 2005/06 projects have been implemented which will produce full year effects in 2006/07.</i></li> <li>Undertake an in-depth analysis of the Council's expenditure profile, identifying a 3 year "wave plan" of targeted expenditure and potential efficiency gains based upon experience of achieved savings in other authorities – <i>The in-depth analysis is currently being undertaken by consultants. Gains are expected in future years.</i></li> <li>Work proactively as a member of Eastern Shires Purchasing Organisation (ESPO) and the West Midlands Centre of Excellence to maximise the benefits from consortium procurement – <i>Although we are currently receiving excellent value for money through our contract with ESPO we have not as yet received any increased benefits in 2005/06 on top of the gains we have already achieved.</i></li> </ul>						
Productive Time	0	1,232,000	15,000	2,460,000	0	3,692,000	15,000
	Explanation of Major variances: <ul style="list-style-type: none"> <li>Identify and address all cases of staff that have been absent from work on an unacceptably high number of occasions or for an unacceptably long period – <i>The level of gains expected to be achieved at the beginning of 2005/06 on top of the gains achieved in 2004/05 are still on course.</i></li> <li>Research best practice and to implement the resulting absence policy and procedure – <i>as above.</i></li> <li>Promote improvements in staff health through the "Healthy Workplace Initiative" – <i>as above.</i></li> </ul>						

	Estimated efficiencies achieved Apr 05 – Sept 05 (inclusive)	Forecast 2005/06 efficiencies	... of which cashable	2004/05 annual efficiency gain	2004/05 ... of which cashable	Forecast cumulative efficiency	... of which cashable
Transactions	81,000	163,000	1,000	745,000	33,000	908,000	34,000
	Explanation of Major variances: <ul style="list-style-type: none"> <li>• Complete the e.Government service development programme – <i>The programme has now been further advanced and is generating a greater level of efficiency gains on top of those achieved in 2004/05.</i></li> <li>• Promote customer adoption of new customer channels, particularly web self-service – <i>see above.</i></li> <li>• Extend a range of services handled through the customer service centre – <i>The service centre is still in the process of becoming fully operational. As a result it is too early to calculate any accurate efficiency gains.</i></li> <li>• Establish a pilot one-stop shop initiative in partnership with Warwick District Council – <i>The service centre is still in the process of becoming fully operational. As a result it is too early to calculate any accurate efficiency gains.</i></li> <li>• Continue collaboration with the District and Borough Councils through the Warwickshire On-Line Partnership to establish a consistent approach to customer access – <i>The gains were achieved in 2004/05. No additional gains in 2005/06 have yet been identified.</i></li> </ul>						
Miscellaneous	65,000	253,000	253,000	14,000	14,000	267,000	267,000
	Explanation of Major variances: <ul style="list-style-type: none"> <li>• Continue the rationalisation of the farm estate – <i>The level of efficiency gains for 2005/06 has been reduced because of slippage in the estimated date of the sale of surplus assets. It is anticipated that full year effects will be received in 2006/07.</i></li> <li>• Realise the value of surplus assets to generate cash flow and avoid the need to fund new capital investment by additional borrowing – <i>The level of efficiency gains for 2005/06 has been reduced because of slippage in the estimated date of the sale of surplus assets. It is anticipated that full year effects will be received in 2006/07.</i></li> <li>• Re-engineer support services to reduce the cost of support services as a proportion of total spending – <i>This work is on target however it is too early to be able to quantify whether the anticipated gains will be delivered in 2005/06.</i></li> <li>• Maximise investment in the county's infrastructure through partnership working and capital leverage – <i>ODPM guidance now states that efficiencies calculated in this way have been disallowed.</i></li> <li>• Commence the rationalisation of the Warwick office portfolio – <i>This project has been delayed. A plan of implementation is currently being developed.</i></li> </ul>						
<b>Total</b>	<b>3,043,000</b>	<b>4,951,000</b>	<b>3,481,000</b>	<b>6,393,000</b>	<b>3,077,000</b>	<b>11,344,000</b>	<b>6,558,000</b>