

AGENDA MANAGEMENT SHEET

Name of Committee Cabinet
Date of Committee 02 November 2006
Report Title 2006/07 Annual Efficiency Statement Mid-Year Update
Summary Update on progress in achieving our forecast efficiency gains for 2006/07 and the 2006/07 Annual Efficiency Statement Mid-Year Update for approval to be submitted to DCLG.

For further information please contact:

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Would the recommended decision be contrary to the Budget and Policy Framework? No.

Background papers 2006/07 to 2008/09 Medium Term Efficiency Plan, Cabinet Report, 6 April 2006

CONSULTATION ALREADY UNDERTAKEN:- Details to be specified

- Other Committees
- Local Member(s)
- Other Elected Members Cllr Mrs Tandy, Cllr Roodhouse, Cllr Richard Chattaway, Cllr Dave Shilton, Cllr Mike Doody
- Cabinet Member Cllr Farnell, Cllr Cockburn, Cllr Richard Hobbs
- Chief Executive Jim Graham
- Legal David Carter
- Finance Dave Clarke - Reporting Officer
- Other Chief Officers William Brown - Reporting Officer
- District Councils

- Health Authority
- Police
- Other Bodies/Individuals

FINAL DECISION YES

SUGGESTED NEXT STEPS:

Details to be specified

- Further consideration by this Committee
- To Council
- To Cabinet
- To an O & S Committee
- To an Area Committee
- Further Consultation

Agenda No

Cabinet - 02 November 2006

2006/07 Annual Efficiency Statement Mid-Year Update

Report of the Strategic Director, Resources and Strategic Director, Community Protection

Recommendation

Cabinet are asked to:

- Note the latest forecast efficiency gains for 2006/07 for the County Council and the Fire and Rescue Service,
- Approve the draft 2006/07 Annual Efficiency Statement mid-year update for the County Council attached at Appendix A and the Fire Service, attached at Appendix B, for submission to the Government, and
- Authorise the Strategic Director, Resources, and Strategic Director, Community Protection, in conjunction with the respective portfolio holders, to make any changes necessary to the 2006/07 Annual Efficiency Statement mid-year update prior to its submission.

1. Introduction

- 1.1 As part of the Government's efficiency planning agenda the County Council is required to deliver efficiency gains of 2.5%, half of which must be cashable, each year from 2005/06 to 2007/08, covering all services except fire and rescue and schools. Over the three-year period the total level of efficiency gains the County Council is expected to deliver is £19.566million of which £9.783million must be cashable.
- 1.2 In addition the Department for Communities and Local Government set a combined target of £105million of efficiency gains over three years for all English Fire Authorities, all of which must be cashable. This equates to a target for Warwickshire's Fire and Rescue Service of £1.042million over three years, about 5% of their 2004/05 net outturn.
- 1.3 In April 2006 the County Council, and the Fire and Rescue Service submitted their 2006/07 forward-looking Annual Efficiency Statements (AES) to the Government. Authorities are now required to submit a mid-year update by 17 November 2006. This report updates Cabinet on both the County Council and Fire and Rescue Service's planned efficiency gains for 2006/07, provides explanations of the changes from our original submissions and seeks Cabinet's approval to submit the mid-year AES's to the Government.

2. County Council Efficiency Gains

2.1 County Council 2006/07 AES Mid-Year Update

2.1.1 When our 2006/07 forward-looking AES was submitted to the Government in April it was anticipating £7.009 million of efficiency gains in 2006/07, of which £5.705 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 2006/07 is now £5.808 million, of which £4.217 million is cashable. This is a reduction in efficiency gains from the planned level for 2006/07 of £1.201million (£1.488 million cashable). Table 1 below summarises the changes from the level of planned efficiency gains.

Service Area	2006/07 Forward Looking AES		2006/07 AES Mid-Year Update		Variance	
	Total £000	Cashable £000	Total £000	Cashable £000	Total £000	Cashable £000
Adult Social Services	883	710	180	175	(703)	(535)
Children's Services	880	880	880	880	0	0
Culture and Sport	100	100	0	0	(100)	(100)
Environmental Services	58	58	146	56	88	(2)
Local Transport	90	90	125	125	35	35
Non-School Education	1,509	1,410	1,405	1,405	(104)	(5)
Supporting People	200	200	150	150	(50)	(50)
Corporate Services	943	943	1,139	1,139	196	196
Procurement	140	140	228	228	88	88
Productive Time	264	0	264	0	0	0
Transactions	773	5	1,237	5	464	0
Miscellaneous	1,169	1,169	54	54	(1,115)	(1,115)
Total	7,009	5,705	5,808	4,217	(1,201)	(1,488)

2.1.2 The reasons for the changes in the levels of forecast efficiency gains have occurred for two main reasons:

- ◆ Delays and slippage in the implementation of projects to deliver the anticipated efficiency gains.
- ◆ New efficiency gains identified in 2006/07 and the full year effects of gains identified in 2005/06.

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

2.1.3 Adult Social Services – reduction of £703,000

The primary reason for the reduction in efficiencies is slippage on projects.

- The policy direction on use of residential care in order to increase helped to live at home targets and looking at housing with care alternatives has been reappraised causing delays (-£300,000).

- As the structure of Adult, Health and Community Services has still to be finalised no efficiency gains will be generated this financial year (-£200,000).
- A contract provided to a home care provider has led to a loss in service and the need to “spot purchase” home care at increased cost (-£100,000).
- Slippage has occurred in the procurement of a single Social Services Temporary Staff contract following a lead member of the project leaving the authority. It is hoped that greater efficiencies can be achieved in future years following the alignment of Children’s Social Services and Education (-£63,000).
- A contractor for Social Services Transport has pulled out meaning that the contract needs to be put out for tender again (-£40,000).

2.1.4 Culture and Sport – decrease of £100,000

- Delays in making firm proposals in the restructuring of the Directorate mean efficiency gains will not be realised this year. There is potential for efficiency gains in future years (-£100,000).

2.1.5 Environmental Services – increase of £88,000

- The increased level of recycling has led to the Authority being able to avoid the purchase of landfill tax credits (+£42,000). These benefits are being delivered at a faster rate than originally forecast.
- Better than expected reductions in cost for the disposal of TVs and fridges (+£46,000).

2.1.6 Local Transport – increase of £35,000

- Efficiencies have been identified in the collaborative roads maintenance contract with Carillion (+£125,000).
- The expected efficiency gain for reduction of travel was overestimated. Whilst it is hoped efficiencies can be generated the nature of the work dictates that travelling will be required (-£90,000).

2.1.7 Non-School Education – decrease of £104,000

- Improved management of projects has led to arising problems being solved at an earlier stage before they become budgetary issues (+£138,000).
- Additional savings have been identified at a cost centre level throughout Non School Education (+£108,000).
- Minor increase in efficiency gains in County Music (+£1,000).
- The redeployment of the HRMS Project Team has taken longer than expected meaning in year saving have been reduced (-£200,000).
- A higher spend on the Children’s Act Project than originally anticipated has meant lower efficiencies have been generated but the project should be implemented more quickly (-£91,000).
- The reduction in communications spending in 2005/06 has not recurred in 2006/07. However, the Communications Section is currently undergoing a review of its services which will lead to efficiencies being generated in the future (-£60,000).

2.1.8 Supporting People – decrease of £50,000

- The cost of contracts has reduced at the levels originally anticipated (-£50,000).

2.1.9 Corporate Services – increase of £196,000

- 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 2006/07 budget resolution. A higher proportion than expected have been delivered through efficiency improvements as opposed to cuts in services or reductions in service quality (+£225,000).
- Savings from the restructure have reduced as consultancy staff were required to maintain service levels (-£15,000).
- Savings from a member of staff retiring and not being replaced have not materialised in full as the post was replaced but at a lower grade (-£14,000).

2.1.10 Procurement – increase of £88,000

- Efficiency gains from cheaper phone line contracts have increased and “blackberry” contracts have also been included in the efficiencies (+£23,000).
- The procurement of all temporary staff via a corporate contract has been delayed (-£25,000).
- A corporate contract to reduce spending on the hiring of venues has forecast reduced efficiency gains. The original estimate overestimated our total spending on hiring venues (-£13,000).
- Additional efficiencies have been identified as a result of renegotiation of prices for a cleaning contract (+£9,000).
- ICT Modernisation efficiencies have been identified through the PC Unit charge not increasing with inflation (+£95,000).
- There has been a small reduction in the level of efficiency gains generated from ESPO by prices increasing below the rate of inflation (-£1,000).

2.1.10 Transactions – increase of £464,000

- 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 (+£464,000).

2.1.11 Miscellaneous – decrease of £1,115,000

- All miscellaneous efficiency gains relate to the disposal of surplus assets. There has been slippage in the expected disposal dates of surplus assets, particularly the sale of surplus land at Aylesford, resulting in a £0.750 million reduction of cashable gains. Once the assets are disposed of the gains will be realised in subsequent years.

2.1.12 The information summarised in paragraphs 2.1.3 to 2.1.11 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 2006/07 mid-year AES to the Government.

2.2 County Council In-Year Progress Towards Meeting 2006/07 AES Mid-Year Update

2.2.1 Of the £5.808 million gains now being forecast for 2006/07 in the mid-year update £2.871 million have already been realised. This leaves a further £2.937 million efficiency gains forecast to be delivered by the end of the financial year. This is summarised in Table 2 below.

	Total £000	Cashable £000
2006/07 AES Mid-Year Update forecast	5,808	4,217
Gains achieved to date	2,871	2,078
Gains still to be achieved	2,937	2,139

2.2.2 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 2007.

2.3 County Council Overall Progress to Date

2.3.1 Whilst the information in the report to this point indicates we are some way short of delivering the planned 2006/07 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.

2.3.2 In June 2006 we submitted an annual efficiency statement to the Government showing gains in 2004/05 of £6.529 million and 2005/06 of £8.780 million. This mid-year update includes a further efficiency gains in 2006/07 of £5.808 million. If these are delivered according to plan the authority would still be £8.073 million ahead of the cumulative target at the end of 2006/07 and have achieved its overall target a year ahead of schedule. The overall progress to date against the target is shown in more detail in Table 3 below.

Year	Cumulative Total Efficiency Gains			Cumulative Cash Efficiency Gains		
	Gov't Target £m	Achieved/ Forecast To Date £m	Excess Over Target £m	Gov't Target £m	Achieved/ Forecast To Date £m	Excess Over Target £m
2004/05	-	6.529	-	-	3.142	-
2005/06	6.750	15.309	8.559	3.375	8.990	5.615
2006/07	13.044	21.117	8.073	6.522	13.207	6.685
2007/08	19.566	24.077	4.511	9.783	14.913	5.130

3. Fire and Rescue Service Efficiency Gains

3.1 Fire and Rescue Service 2006/07 AES Mid-Year Update

3.1.1 When our 2006/07 forward-looking AES was submitted to the Government in April it was anticipating £174,000 of cashable efficiency gains in 2006/07. 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 cashable efficiency gains that will be achieved in 2006/07 is now £75,000. This is a reduction in efficiency gains from the planned level for 2006/07 of £99,000. Table 4 below summarises the changes from the level of planned efficiency gains.

Table 4: Variations in Forecast Efficiency Gains

Category	2006/07 Forward Looking AES	2006/07 AES Mid-Year Update	Variance
Corporate Services	44,000	8,000	(36,000)
Collaboration	100,000	0	(100,000)
Other IRMP Savings	0	33,000	33,000
Procurement Savings	30,000	34,000	4,000
Total	174,000	75,000	(99,000)

3.1.2 The changes in the levels of forecast efficiency gains have occurred for the following reasons:

- Slippage in the plans to transfer the Fire Safety Help Line to WCC Contact Centre (reduction of £36,000)
- Failure to reach agreement with WMFRS on collaborative plans with regard to Control arrangements (savings unlikely to be achieved £100,000)
- Savings from the introduction of Hybrid Aerial / Pumping Appliances – agreed by Cabinet in September 2006, but not included in original 2006/07 Forward Looking AES (increase of £33,000)
- Slightly higher than expected procurement savings (increase of £4,000)

3.2 Fire and Rescue Service Mid-Year Progress in Achieving 2006/07 Forecast Gains

3.2.1 Of the £75,000 now forecast for 2006/07 in the mid-year update, £18,000 have already been realised. This leaves a further £57,000 of efficiency gains forecast to be delivered by the end of the financial year.

3.2.2 At present we fully expect to achieve at least the level of efficiency gains forecast in this mid year update by the 31 March 2007.

3.3 Fire and Rescue Service Overall Progress to Date

- 3.3.1 The target set by DCLG is for all English Fire and Rescue Authorities to achieve £105 million of cashable savings by the end of 2007/08. We have been given a guide as to what our share of this should be, and it equates to £1,042,000, but this is not an individual target. We are now forecasting to have achieved £456,000 by the end of 2006/07. This will mean we need to find an additional £586,000 of savings by the end of 2007/08 to achieve our guide of £1,042,000. We have already identified £285,000 of savings from the continued roll out of the hybrid aerial / pumping appliances efficiency scheme which will contribute towards this, which leaves a further £301,000 to be identified in 2007/08.
- 3.3.2 The Fire and Rescue Service has been set a number of challenging efficiency targets by its self and centrally by the Government. Plans to achieve these savings have been identified and reported to Cabinet on a number of occasions. However, Cabinet have not been in a position to agree the plans presented for various reasons. The most recent plan presented to the Cabinet, involving changes to appliance provision and crewing, has been called in and reviewed by Overview and Scrutiny. The outcome of this was that the plan was returned to Cabinet who agreed to implement it. However, this did not address the fundamental issue of longer term efficiency gains that will be required under the County's medium term financial and efficiency plans or the targets set nationally for English Fire and Rescue Authorities by DCLG. Cabinet did agree to look further into the issues around efficiency saving for Fire and Rescue and an additional meeting between the County Fire Officer, the Portfolio holder and the Cabinet have been arranged.
- 3.3.3 In order to achieve significant efficiency saving that will meet the challenging targets set it will be necessary for the County Council to identify and implement changes to the structure of its Fire and Rescue Service. These changes will involve difficult decisions regarding the redistribution of available resources. This will be achieved within the constraints imposed by the risk profile for Warwickshire, the resilience needs of the service and needs and expectations of the community.
- 3.3.4 Due to the timescales involved in reaching agreement with members and implementing any efficiency plans, we feel it is unlikely that any significant savings above the £285,000 already identified in 2007/08 will be achieved, and therefore we are unlikely to realise the necessary additional £301,000 of savings required by DCLG.

4 Next Steps

- 4.1 Following the submission of the 2006/07 mid-year update to the Government the next deadlines for both the County Council and the Fire and Rescue Service are:
- ◆ to submit the 2007/08 forward-looking Annual Efficiency Statements to the Government on 12 April 2007, and

- ◆ to submit the final 2006/07 backward looking Annual Efficiency Statements on 5 July 2007.

4.2 Further reports to Cabinet over the next few months will reflect the progress of the medium term efficiency strategy and plan.

DAVE CLARKE
Strategic Director, Resources

Shire Hall
Warwick

17 October 2006

WILLIAM BROWN
Strategic Director, Community
Protection

WFRS Headquarters
Leamington Spa

2006/07 Annual Efficiency Statement Mid-Year Update

Appendix A

Title	Estimated Efficiencies Achieved Apr 06 – Sept 06 (inclusive)	Forecast 2006/07 Efficiencies	... of which cashable	Ongoing efficiency gains from previous years	... of which cashable	Forecast cumulative efficiency	... of which cashable
Adult Social Services	90,000	180,000	175,000	3,585,000	3,585,000	3,765,000	3,760,000
	<p>Explanation of Major Differences: The policy direction on use of residential care in order to increase helped to live at home targets and looking at housing with care alternatives has been reappraised causing delays. As the structure of Adult, Health and Community Services has still to be finalised no efficiency gains will be generated this financial year . A contract provided to a home care provider has led to a loss in service and the need to “spot purchase” home care at increased cost. Slippage has occurred in the procurement of a single Social Services Temporary Staff contract following a lead member of the project leaving the authority. It is hoped that greater efficiencies can be achieved in future years following the alignment of Children’s Social Services and Education. A contractor for Social Services Transport has pulled out meaning that the contract needs to be put out for tender again.</p>						
Children’s Services	440,000	880,000	880,000	1,977,000	1,976,000	2,857,000	2,856,000
	<p>Explanation of Major Differences:</p>						
Culture and Sport	0	0	0	34,710	0	34,710	0
	<p>Explanation of Major Differences: Delays in making firm proposals in the restructuring of the Directorate mean efficiency gains will not be realised this year. There is potential for efficiency gains in future years</p>						
Environmental Services	59,000	146,000	56,000	763,741	244,657	909,741	300,657
	<p>Explanation of Major Differences: The increased level of recycling has lead to the Authority being able to avoid the purchase of landfill tax credits These benefits are being delivered at a faster rate than originally forecast. The deletion of a Head of Service post. Better than expected reductions in cost for the disposal of TVs and fridges.</p>						

2006/07 Annual Efficiency Statement Mid-Year Update

Appendix A

Title	Estimated Efficiencies Achieved Apr 06 – Sept 06 (inclusive)	Forecast 2006/07 Efficiencies	... of which cashable	Ongoing efficiency gains from previous years	... of which cashable	Forecast cumulative efficiency	... of which cashable
Local Transport (Highways)	75,000	125,000	125,000	263,000	263,000	388,000	388,000
	Explanation of Major Differences: Efficiencies have been identified in the collaborative roads maintenance contract with Carillion. The expected efficiency gain for reduction of travel was overestimated. Whilst it is hoped efficiencies can be generated the nature of the work dictates that travelling will be required.						
Non-school educational services	703,000	1,405,000	1,405,000	1,229,000	1,120,000	2,634,000	2,525,000
	Explanation of Major Differences: Improved management of projects has lead to arising problems being solved at an earlier stage before they become budgetary issues. Additional savings have been identified at a cost centre level throughout Non School Education. The redeployment of the HRMS Project Team has taken longer than expected meaning in year saving have been reduced. A higher spend on the Children’s Act Project than originally anticipated has meant lower efficiencies have been generated but the project should be implemented more quickly. The reduction in communications spending in 2005/06 has not recurred in 2006/07. However, the Communications Section is currently undergoing a review of its services which will lead to efficiencies being generated in the future						
Supporting People	75,000	150,000	150,000	546,000	546,000	696,000	696,000
	Explanation of Major Differences: The cost of contracts has not been able to be reduced at the levels originally anticipated.						
Other cross-cutting efficiencies not covered above							
Corporate Services	571,000	1,139,000	1,139,000	732,242	732,242	1,871,242	1,871,242
	Explanation of Major Differences: 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 2006/07 budget resolution. A higher proportion than expected have been delivered through efficiency improvements as opposed to cuts in services or reductions in service quality. Savings from the restructure have reduced as consultancy staff were required to maintain service levels. Savings from a member of staff retiring and not being replaced have not materialised in full as the post was replaced but at a lower grade.						

2006/07 Annual Efficiency Statement Mid-Year Update

Appendix A

Title	Estimated Efficiencies Achieved Apr 06 – Sept 06 (inclusive)	Forecast 2006/07 Efficiencies	... of which cashable	Ongoing efficiency gains from previous years	... of which cashable	Forecast cumulative efficiency	... of which cashable
Procurement – goods and services	107,000	228,000	228,000	328,000	328,000	556,000	556,000
	<p>Explanation of Major Differences: Efficiency gains from cheaper phone line contracts have increased and “blackberry” contracts have also been included in the efficiencies. The procurement of all temporary staff via a corporate contract has been delayed. A corporate contract to reduce spending on the hiring of venues has forecast reduced efficiency gains. The original estimate overestimated our total spending on hiring venues. Additional efficiencies have been identified as a result of renegotiation of prices for a cleaning contract. ICT Modernisation efficiencies have been identified through the PC Unit charge not increasing with inflation.</p>						
Productive Time	132,000	264,000	0	3,507,414	0	3,771,414	0
	<p>Explanation of Major Differences:</p>						
Transactions	618,000	1,237,000	5,000	2,229,570	81,689	3,466,570	86,689
	<p>Explanation of Major Differences: 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.</p>						
Miscellaneous	1,000	54,000	54,000	113,292	113,292	167,292	167,292
	<p>Explanation of Major Differences: All miscellaneous efficiency gains relate to the disposal of surplus assets. There has been slippage in the expected disposal dates of surplus assets, particularly the sale of surplus land at Aylesford, resulting in a £0.750 million reduction of cashable gains. Once the assets are disposed the gains will be realised in subsequent years.</p>						
Total	2,871,000	5,808,000	4,217,000	15,308,969	8,989,880	21,116,969	13,206,880

2006/07 Fire and Rescue Service Annual Efficiency Statement Mid-Year Update

Appendix B

FIRE & RESCUE AUTHORITY NAME: **WARWICKSHIRE**

Efficiency gains achieved in the first six months of the financial year 2006/7

Category	Quality cross-check (QCC) met	One off or recurring?	Capital	All figures £				
				Revenue	Annual Cashable Efficiency Gain	Cumulative Cashable Efficiency Gain (including recurring gains from 2004-05 and 2005-06)	Annual Non-cashable Efficiency Gain	Cumulative Non-Cashable Efficiency Gain
Carried forward from 2004/05 and 2005/06				Revenue		381,009		1,096,490
Revised shift systems / Crewing arrangements (IRMP)		Recurring						
		One off						
Other IRMP savings		Recurring						
		One off						
Collaboration		Recurring						
		One off						
Reduced ill-health retirements		Recurring						
		One off						
Sickness reduction		Recurring						
		One off						
Other HR savings		Recurring						
		One off						
Better procurement	Procurement Policy in Place	Recurring		Revenue	13,460	394,469		
		One off						
Corporate services		Recurring		Revenue	4,667	399,136		
		One off						
Other		Recurring						
		One off						
TOTAL				-	18,127	399,136	-	1,096,490

To be signed by:

Chair of the CFA (pse sign and date)	Chief Fire & Rescue Officer (pse sign and date)	Chief Financial Officer (pse sign & date)
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