

THE EXECUTIVE

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Open Report

Agenda Item 5. Efficiency Programme and Annual Efficiency Statement (Pages 1 - 14)

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THE EXECUTIVE**12 APRIL 2005****REPORT OF THE DIRECTOR OF CORPORATE STRATEGY**

EFFICIENCY PROGRAMME AND ANNUAL EFFICIENCY STATEMENT	FOR DECISION	
<p><i>This report asks the Executive to approve the programme of efficiency reviews that has been drawn up by the Corporate Management Team Efficiency Sub-Group, and to approve the Annual Efficiency Statement (AES) that must be submitted to the Office of the Deputy Prime Minister (ODPM) by the 15 April 2005.</i></p> <p>Summary</p> <p>The Corporate Management Team Efficiency Sub-Group was established to develop and lead on a programme of efficiency at the Council. This programme will address the recommendations of the Gershon Review, and will support the wider aim of maximising the Council's "use of resources".</p> <p>The additional resources that will be re-directed to frontline services will help the Council to provide first class services to the local community, and assist in its ambitions of achieving excellence.</p> <p>The programme will focus on the key services, functions and processes at the Council where there are significant resources currently being deployed, or where there is a potential for significant improvements in the efficiency of the processes.</p> <p>Recommendation</p> <p>The Executive is asked to approve:</p> <ol style="list-style-type: none"> 1. The programme of efficiencies to be managed by the Efficiency sub-group (set out in Appendix A); and 2. The forward looking Annual Efficiency Statement for 2005/06 to be submitted to the ODPM (set out in Appendix B). <p>Reason</p> <p>The efficiency programme is crucial to the Council's aims to improve all aspects of its business. The Council's Annual Efficiency Statement must be submitted to the ODPM by the 15 April 2005.</p>		
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1. Introduction to the Gershon Review

- 1.1 In August 2003, the Prime Minister and Chancellor of the Exchequer asked Sir Peter Gershon to undertake a review of public sector efficiency. It focused on the Government's key objective to release resources to fund the front line services that meet the public's highest priorities by improving the efficiency of service delivery.
- 1.2 The results of this review were published in July 2004. It acknowledged that most local authorities were achieving efficiency gains as part of their everyday work, but was keen to promote a new "efficiency agenda" to provide organisations across the public sector a fresh discipline to ensure that there was a focus on how best to get the most from taxpayers' money. The agenda would involve the identification and reporting of efficiency gains on an annual basis.
- 1.3 The report identified potential efficiency gains of £20 billion by 2007/08 across the public sector. The report was keen to emphasise the fact that these efficiency gains would not be at the expense of service delivery. As such, cuts in service do not count as efficiencies for the purposes of this review.
- 1.4 The Spending Review 2004 translated these recommendations into a number of "efficiency targets". Across local government, a target of at least £6.45bn in efficiencies needs to be made by 2007-08. Individual authorities must contribute to this target by achieving annual efficiencies equivalent to 2.5% of baseline expenditure each year on a cumulative basis. By 2007-08, each authority will need to contribute 7.5%.
- 1.5 The annual efficiency target for the Council is £4.11m per annum from 2005/06 to 2007/08. This target can be met across all of the Council's services, including the HRA, but excludes the delegated schools budget and transfer payments. By 2007/08, the Council will have to find £12.33m of efficiencies. Progress against this target is monitored by the ODPM as follows:
- Submission of a "forward looking" Annual Efficiency Statement (AES) in April 2005, 2006 and 2007, setting out the strategy to be adopted, actions to be taken to achieve the annual target;
 - Submission of a "backward looking" AES in June 2006, 2007 and 2008, reporting on actual efficiencies made. A submission is also required in June 2005 for 2004/05 (ie the year already passed) as these efficiencies count towards the overall target; and
 - Submission of a mid-year progress report in November 2005, 2006 and 2007 for all those authorities except those with a CPA rating of good and excellent.
- 1.6 The efficiency agenda links closely to the overall objective of effective "use of resources". This is a key element of the Comprehensive Performance Assessment (CPA) on which the Council is judged. Although the External Auditors will audit CPA and the AES separately, the Audit Commission have indicated that a robust response to the efficiency agenda will be strong evidence to support work being done on use of resources.

2. Examples of efficiencies

2.1 The Gershon Review indicated that efficiencies could be realised in the following ways:

- Reducing inputs for same outputs;
- Reducing prices for same outputs;
- Greater outputs for same inputs; and
- Getting proportionally more outputs for an increase in inputs.

2.2 The detailed guidance for local government provided some examples of efficiencies that could be realised to assist in the development of each Council's efficiency statements. They are separated into two categories, cross-cutting and sector specific. Some examples are detailed below:

Cross-cutting efficiencies:

- Procurement (contract management, partnership working, e-government)
- Transaction costs (Council tax, Housing rents, Electronic processing)
- Corporate services (Standardising process across Council, Partnership working across public sector)
- Productive time (Flexible working practices, Staff absence management)
- Other (eg. Office accommodation)

Sector specific efficiencies:

- Environmental Services
 - Procurement
 - Market Shaping – increased competition in waste solutions
 - Improving Planning Process for Waste Facilities – Joint municipal waste management strategies
- Education / LEA
 - Productive time (“Workforce Reform”, ICT in Schools, e-Learning Strategy)
 - Procurement
 - Building Schools for the Future (BSF)
- Social Housing
 - New Supply (Housing Corporation – provisions in Housing Bill)
 - Capital Works (setting up local procurement consortia)
 - Management and Maintenance
 - “Procurement for Housing” (collective purchasing of telecoms, gas, office supplies)

- Adult Care Services:
 - Care Services Efficiency Delivery Programme
- Children's Services (guidance linked to Education)
 - Every Child Matters: Change for Children Programme – efficiencies from new Children's Trust arrangements
 - Procurement
 - Improvements in productive time
 - Links with Building Schools for the Future

3. Barking and Dagenham Efficiency Programme

3.1 Barking and Dagenham have always placed an emphasis on efficiency and value for money. We have a track record of achieving efficiency gains and last year achieved around £3.5m by the Gershon definition.

3.2 An Efficiency sub-group of the Corporate Management Team was established to develop and lead on a new programme of efficiency at the Council. The group has drafted an ambitious efficiency programme. The strategy behind the programme, as detailed in Appendix A, is to promote efficient working practices and service delivery across the Council focusing on the following key themes:

- Pay bill – reviews considering maximising the efficiency and effectiveness of our workforce, how it works and how it is managed;
- Procurement – reviews developed to ensure that we are maximising efficiencies in respect of procurement options including cross-borough working, and use of local centres of excellence;
- Property – reviews to capture efficiencies being realised as part of the capital programme and the accommodation strategy; and
- Performance and Productivity – reviews focusing on efficiencies resulting from improvements in the Council's services.

3.3 The programme includes a combination of short-term "quick wins", such as the re-tendering of the security services contract, and long-term gains, such as those that will be realised in future years as a result of the implementation of the accommodation strategy.

3.4 The Executive is asked to approve the efficiency programme strategy in Appendix A to enable the sub-group to develop detailed project plans to ensure delivery. The sub-group will report progress on these reviews on a periodic basis.

3.5 The efficiency programme will be officially launched at the Town Hall on the 9 May. Barry Quirk, the Chief Executive of the London Borough of Lewisham who is also the Local Government Efficiency Champion, and Ken Cole, the Director of the London Centre of Excellence, have both agreed to speak at the launch.

4. Annual Efficiency Statement (forward looking)

4.1 The deadline for the submission of the forward looking AES to the ODPM is the 15 April 2005. The Council's proposed submission is set out in Appendix B. The guidance on the completion of this statement asks for the following:

- A brief, one page summary of the strategy and key actions to be taken to achieve the Council's annual efficiency target;
- A table showing the estimated efficiencies to be made, split into sector-specific areas: Adult social care, children's services, culture and sport, environmental services, LA social housing, local transport, non-schools education services and supporting people. The table also splits into cross-cutting efficiencies: corporate services, procurement, productive time, transactions and miscellaneous efficiencies.
- The table splits further into "cashable" and "non-cashable" efficiency gains. "Cashable" gains are those that represent the potential to release resources for reallocation elsewhere. Non-cashable gains are achieved through such means as improved quality or additional outputs for the same level of resources. At least half of the target should be met with "cashable" efficiency gains.

4.2 The efficiency programme has had input from finance teams and service managers across the Council. There has been a detailed and comprehensive review of working practices and service delivery, and the result is a robust and ambitious programme that is aiming to achieve efficiency gains of £5m in 2005/06 exceeding the 2005/06 target by approximately £0.9m. This includes interest receipts made on asset disposals from 2004/05 onwards and efficiency gains already highlighted as part of the budget process.

4.3 In addition to this £5m the ODPM have agreed that the gains for 2004/05 can also be set against the 2005/06 target. The £3.5m gains already made by the Council last year will be submitted to the ODPM in a 'backward looking statement' in June. This will bring the total efficiency gains for 2005/06 to approximately £8.5m.

4.4 The Executive is asked to approve the forward looking annual efficiency statement for 2005/06.

5. Consultation

Julie Parker – Director of Finance

John Hooton – Assistant Head of Corporate Finance

Background Papers

Delivering Efficiency in Local Services – HM Government

Efficiency Technical Note for Local Government – Office of the Deputy Prime Minister

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London Borough of Barking and Dagenham **Efficiency Programme**

The Council has developed an ambitious efficiency programme which will not only allow substantial resources to be re-directed to improving services, but also help to change the culture of the organisation to one which is more focused in efficiency and customer service.

The programme is summarised under four broad themes, Pay Bill, Property, Procurement and Performance & Productivity.

A. Pay Bill

The Council spends approximately £200m on wages and salaries every year and recognises that this is a key area where efficiencies can be realised.

(i) Agency Staff

Around £14m per annum is spent on agency staff. A range of actions is being taken to reduce this figure by at least 5%.

- Implementing the London Contracts & Supplies Group (LCSG) contract for temporary professional staff won by Eden Brown. This should save a minimum of 4.5% on staff in these disciplines plus additional non cashable savings in the reduction of invoices/time spend for processing.
- Developing a managed service provider approach for other agency staff following a recent review.
- Maintaining a list of people interested in casual/occasional work for the Council.
- Establishing protocols to ensure that alternatives to employing agency staff are considered in all cases.

(ii) Recruitment

£2m per annum is spent on recruitment. This figure will be reduced by:-

- Centralising recruitment
- Much greater use of the Council and specialist internet sites
- Closer working with Job Centre Plus
- Reviewing the recruitment of JNC staff

(iii) Sickness/Overtime

Days lost to sickness amount to around £8.5m in lost productivity and costs of providing cover. By reducing average sickness from 9.1 days per member of staff to 7.5 days per annum, £1m could be saved. Over £4m is spent of overtime (some of which is to cover sickness.) Action to reduce costs will include:-

- Revised sickness procedures
- Extensive training on sickness management
- New occupational health contact to be tendered
- Introducing new protocols on overtime

(iv) Service Reviews

Reviews will be undertaken to identify the scope for productivity and performance improvement in:-

- Streetscene
- Information Technology
- Legal
- Homecare
- Human Resources
- Transport

B. Property

(i) Review of Office Accommodation

We currently operate from 22 administrative buildings and are developing the business case for streamlining this to 5-8 buildings. It is estimated that significant savings can be made on:-

- Running costs (currently £2.2m per annum)
- Travelling costs (£1m per annum)
- Maintenance (£0.8m per annum)

The rationalised estate will also give the opportunity for introducing new ways of working and office organisation and to improve service to our customers.

(ii) Rationalisation of Asset Holdings

This is a key component of our efficiency plans. The Council has had a disposals programme since 2004/05 and this will continue into 2005/06 and beyond. Assets that are surplus to requirements are being disposed of. This programme has produced significant cash flow benefits. Additional capital receipts have generated investment income that can be directed into frontline services. Disposals realised in 2004/05 and 2005/06 are estimated to generate £1.75m of ongoing investment income for the Council in future years.

(iii) Re-provision of Adult Residential Services

We will continue the radical programme of improvement through the re-provision of residential accommodation to sector leading standards.

C. Procurement

The Council spends approximately £70m revenue annually on goods and services, plus almost £100m on Revenue and Capital construction projects, and recognises that procurement is a key area for efficiency saving both in terms of cashable and non-cashable savings through quality improvements. Detailed analysis of the Council's spend and of its suppliers is currently underway in order to facilitate the revision of the Council's Procurement Strategy and focus procurement activity on areas of maximum gain.

Much has already been achieved following the 2003 Best Value Review to ensure effective procurement and reduced costs including:-

- A comprehensive officer training programme has been put in place and will commence in May 05.
- A suite of legal documents has been established to ensure consistency of approach, safeguard the Council's interests and save costs on external legal advice.
- A review of the Council's Contract Rules (Standing Orders) to ensure best value procurement is promoted rather than hindered.
- Adoption of further corporate contracts and reduction in maverick (off contract) spend and promotion of e-ordering the majority of office supplies through the link between the Council's Oracle system and stores function.
- A review and consolidation of security services contracts.
- Recruitment of a new Corporate Procurement Team to establish and manage high standards of procurement practice across the organisation.

In addition to the improvements detailed above, which will realise savings in the next year and beyond, the Council is adopting a strategic approach to procurement savings and improvements with the execution of detailed actions targeted to achieve further savings, including:-

- Analysis of the supplier base with a view to reducing numbers, further consolidating purchases through corporate contracts, gaining economies of scale and exploring leverage options.

- Consideration of a full E-Procurement (purchase to pay) system which will streamline processes in the low value, low risk areas such as common office supplies and commodities. Whilst potential contract savings in this “tactical” area are low, process saving will be generated through self billing (and reduction of invoices) and can be consolidated by a review and/or reduction in staff based in this area.
- Ensuring compliance with the usage of corporate contracts and best practice procurement activity through raised levels of monitoring and training.
- Further investigating additional E-Procurement options around Purchase Cards (where purchase to pay is not appropriate), Electronic Auctions for driving down costs in specific commodity areas and supplier database portals shared with other organisations which will increase operational efficiency and collaboration.
- Leveraging overall savings on Agency Staff spend which ties in with the “Paybill” theme.
- Establishing framework contracts for other areas of high volume/cost but low risk spend such as IT hardware and management/technical consultants. Here, where there are many suppliers competing for the Council’s business, frameworks will generate considerable economies of scale and performance improvements.
- In the high value, high risk contract area, the Council will look to develop long-term partnership arrangements with suppliers to implement continuous improvement and shared savings opportunities. This strategy is currently being actioned in contracts for repairing/refurbishing and replacing the Council’s housing stock.
- Where lower value services/supplies are provided through contracts with “specialists”, the Council is looking to expand and develop the market to protect the organisation from monopolistic practices such as unreasonable prices rises.
- Energy costs are to be reviewed with assistance from external experts.
- All EJEU notices will in future include the option to extend the contract to other local authorities.
- A major initiative is the development of framework contracts for construction. These are likely to cover:-
 - Housing
 - Civil Engineering/Highways
 - Other construction (e.g. Education)

With a capital programme of around £100m, savings could be very substantial in terms of economies of scale and tender costs.

D. Performance & Productivity

Performance and productivity improvement is being pursued right across the Council and productivity gains are expected to accrue in a wide range of areas. Examples of key areas include:-

(i) Customer First

This is a major programme to re-shape the way in which the Council provides services to all its customers. Service processes are being re-configured, new facilities are being established, including a call centre and 'one stop shops' and a programme of organisational change is being delivered.

(ii) Capital Programme

The Council has an annual capital programme of £90m (£400m over 5 years) and has developed a capital programme management office (CPMO) which ensures that Green Book Complaint improvements are driven through in terms of project management. These improvements will ensure that the Council delivers a capital programme that meets corporate objectives, on time and on budget. Data available for 2004/05 already demonstrates the improvements that have been made. For example, project overspends in 2004/05 have fallen by £0.8m compared to 2003/04, and further improvements are expected in 2005/06. The annual cost of the CPMO is approximately £165k.

(iii) Leisure Trust

The Council's leisure services are being re-formed into a Leisure Trust which will take over their operation from April 2006.

(iv) SEN Provision

New centres are being developed in the borough to reduce the costs of general provision.

(v) Printing and Photocopying

Better procurement; tighter control of spend and centralised photocopying should produce substantial savings and improve quality.

(vi) Mobile Working

A pilot project using wireless IT tablets is being rolled out within Social Services and should lead to considerable gains in productive time. The implications for wider mobile working and paperless working will be developed for the whole Council.

(vii) Expansions of Direct Payments to Social Service Clients

This is scheduled to result in savings of £½m as well as improving the service to the clients.

(viii) Debt Collection

Improvements to processes and systems should result improved collection of debt which will in turn lead to increased investment income.

London Borough of Barking and Dagenham

Forward Looking Annual Efficiency Statement 2005/06

The Council has always taken efficiency and value for money seriously. Last year we achieved around £3.5m of efficiency gains. This statement sets out efficiency gains for 2005/06 of £5m and describes a programme which will release greater gains in subsequent years.

Strategy for securing efficiency gains

- A sub-group of the Corporate Management Team has been established to drive the efficiency agenda forward at Barking and Dagenham.
- Using ODPM guidance and analysing local drivers for change, the group has developed an ambitious programme of efficiency reviews which incorporates both short term projects with expected gains to be realised in 2005-06, through to longer term reviews that will see major benefits accruing in 2006-07 and 2007-08.
- The group comprises Heads of Service from all service departments across the Council, with support from the corporate centre. This will ensure that both cross-cutting and service specific efficiencies are developed and led across the Council.
- The efficiency programme has been approved by Members at the Executive Committee.
- The programme centres on the key themes of pay bill, procurement, property and performance & productivity.

Key actions to be taken in 2005-06

Our efficiency programme will focus on the following reviews for 2005-06:

- Pay bill – efficiency gains will be targeted in respect of agency staff costs, a reduction in sickness & overtime, improvements in recruitment processes leading to efficiency gains and piloting mobile working;
- Procurement – projects are in progress at the moment to realise gains in respect of legal fees and security services. A number of further areas, such as printing and energy costs are being considered;
- Property – efficiency gains are being targeted in respect of construction framework contracts and improvements in capital programme management;
- Performance & productivity – both corporate and service specific efficiencies are being targeted across the Borough, including early accounts closure, debt collection, transport and homelessness provision.

Expected efficiency gains

	Expected annual efficiency gains	Of which cashable
	£'000	£'000
Adult Social Services	500	500
Childrens' services		
Culture and sport	57	57
Environmental services	363	363
Local transport	300	300
LA social housing	260	260
Non-school education services	500	500
Supporting People		
Other cross-cutting efficiencies not covered above:		
- Corporate services	441	441
- Procurement	1,023	923
- Productive time	375	0
- Transactions	125	125
- Miscellaneous efficiencies	1,008	1,008
Total	4,952	4,477