

TITLE:	Efficiency Strategy
TO/ON:	Executive – 15/05/06
BY:	Director of Finance
STATUS:	Report
PORTFOLIO:	Deputy Leader

STRATEGIC FACTOR CHECKLIST

The Council's Corporate Management Team has confirmed that the Strategic Factor Checklist has been applied to the development of this report, and there are no key issues, over and above those set out in the body of the report, that need to be brought to Member's attention.

1 SUBJECT MATTER AND PURPOSE

- 1.1 Local Authorities have just completed their second round of Forward Looking Efficiency Statements under the Efficiency Agenda, and although targets are expected to be exceeded by some way for the first wave, it is widely accepted amongst Local Authorities, Regional Centres Of Excellence and the ODPM, that the majority of these savings are the large, easy 'Cherry Picked' ones.
- 1.2 It is also accepted that Efficiency targets will continue beyond the initial three year period and a degree of concern exists that they could become even more searching. Therefore, in order to achieve the target, authorities face a progressively more difficult task, with the types of Efficiencies left to claim becoming more and more difficult to identify, quantify, measure and implement.
- 1.3 In order to give ourselves the best possible chance of continuing to deliver Efficiencies, there needs to be a broader and more formal approach, embedding the drive for greater efficiency into the culture of the organisation.

2 BACKGROUND

- 2.1 The publication of the Gershon Review in July 2004 led to the implementation of the Efficiency Agenda in the Public Sector.
- 2.2 Essentially the main aims of the review are:-
 - To release major resources into frontline services to meet the public's highest priorities
 - To reduce the bureaucracy faced by frontline staff and free them up to better meet the needs of the public

- 2.3 Targets for Local Government (including schools) to 2007/2008 are £6.45bn, of which at least 50% must be cashable. The targets have been derived from 2004/2005 expenditure, with the requirement being a 2.5% saving. To date, the expected gains by the end of 2005/2006 for Local Authorities are £1.9bn, £0.9bn over target.
- 2.4 Derwentside's 3 year target is £350k per year, or £1.05m over the 3 year period. The current cumulative total, including the 2006/2007 Forward Look, is £2.2m. £1.5m over target. **(Appendix 2)**
- 2.5 Whilst it is important to recognise the fact that we have performed very well, it would be remiss of us to rest on our laurels. There is still a great deal of work which must be undertaken in order to embed and cultivate the culture.

3 RELEVANT MATERIAL CONSIDERATIONS/OPTIONS

- 3.1 CIPFA's guidance recommends the adoption of a Corporate Approach to efficiencies, although the input of Service Departments in identifying and measuring gains is essential. The Corporate Approach has been identified as having the following advantages:-
- It ensures the Agenda has Senior Support, and is integrated with existing strategies
 - It helps facilitate Partnership Working and Shared Services
 - It makes it easier to identify areas of overlap and streamline processes
 - It makes effective Programme Management easier
 - It reduces the risk of services being cut and quality compromised to meet short term budgetary targets.
- 3.2 As of this financial year, the Audit Commission intends to perform an audit on Efficiency Statements. Although it is not their intention to verify the delivery of efficiencies, they will be assessing any systems in place to measure savings, and will report on any inconsistencies between the Efficiency Statement and their view of the Authorities Performance.
- 3.3 The delivery of efficiencies is not, and should not be looked upon, as being driven by the Government targets and Use Of Resources score. The Authority, over many years, has had to deal with severe downward financial pressure. Balanced budgets have been achieved through more efficient practices and savings from efficiencies.
- 3.4 Recent years have seen very low Council Tax increases and for 2006/2007 no increase at all. This has been done whilst maintaining services and contributing to new spend in priority areas. Again, achievement of this would not have been possible without cashable efficiencies, and these now form part of our cumulative target

- 3.5 The Medium Term Financial Plan received by the Council on 21st February 2006 showed that the Authority continues to face challenges if it is to achieve its ongoing aim of balancing budgets with low or no Council Tax increase. Therefore, the continued pursuit of efficiencies is essential to achieving this aim.
- 3.6 In previous periods, due to resource issues, there has been a tendency for the statement to be completed by one officer, with limited input from others, on deadline day. As a result, some efficiencies will have undoubtedly been omitted and, depending on their nature, may have been lost for good.
- 3.7 During the preparation of the 2006/2007 Forward Looking Statement, these resource issues have to a large degree been resolved and as a result it has been possible to involve more officers in the collation of Efficiency Suggestions through the Budgetary Control process. The Finance Directorate is currently in the process of compiling a database of all suggestions to be evaluated, and these two processes are seen as an important step toward the formulation of a strategy.
- 3.8 It is envisaged that this strategy should be further developed and encompass elements of the Use Of Resources assessment (which in future years is to form part of the CPA framework). The Council's current Use Of Resources overall score is 2 out of 4. The introduction of a sound strategy, incorporating robust reporting procedures, should help strengthen our Use Of Resources score whilst we strive to achieve a 3 by improving Financial Reporting (KLOE part 1), addressing some of the points raised by District Audit regarding Financial Management (KLOE 2.2), improving Value For Money (KLOE part 5) offered by the Authority, and improving links between Financial and Non-Financial information.
- 3.9 It is also worth noting at this point the work undertaken by Corporate Procurement. Procurement should be an important part of any Efficiency Strategy, as it is probably the most obvious area to make cashable savings across the Authority. To date, Derwentside's Procurement Department has made cash savings of £369k, through Spend Reviews, Contract Re-negotiations, Procedure Standardising, Document Standardising, E-Procurement etc...
- 3.10 An effective strategy will aid the Authority in both maintaining currently identified efficiencies, and identifying possible future efficiencies. It will lead to more effective monitoring, control and reporting mechanisms which will help raise the Authority's Use Of Resources score (thereby also contributing to a better CPA), and ultimately satisfy the spirit of the Efficiency Agenda, to provide a better quality of service for less.

4 RECOMMENDATIONS AND REASONS

- 4.1 That the Authority devise an implement a suitable Efficiency Strategy, incorporating various members and officers across the Authority, to better embed and cultivate the efficiency culture, identify, assess, manage,

control and maintain current and future efficiencies, and to help improve the Authority's Use Of Resources and CPA scores.

5 **BACKGROUND PAPERS**

5.1 None

For further information regarding this report contact Martin Johnson ext. 8355

Derwentside District Council

Annual Efficiency Statement – Forward Looking 2006/07

Introduction

Derwentside District Council is committed to securing best value for its residents at all times and to this end has vigorously pursued efficiencies, where possible, resulting in service improvements and for the year 2006-2007 no increase in Council Tax.

Strategy for Securing Efficiency Gains

The authority has begun to formally embed the efficiency culture into the organisation through its Budgetary Control procedures, and the implementation of a Procurement Strategy Network and a Procurement Strategy Group. This is being driven by the Corporate Management team and the authority's members down through the organisation. Plans for the coming year include the closer harmonisation of Efficiency activities with VFM, for which we achieved a score of 3 on Use Of Resources judgement, CPA, Best Value and Key Lines Of Enquiry.

The process will involve linking work being carried out in other areas where efficiencies are clearly achievable looking for current and longer term benefits these will notably focus on

- Policy Planning – building in efficiency and targets in to the council's corporate improvement plans and links to the medium term financial plan
- Asset Management – ensuring optimum uses of our assets and disposing of those no longer required
- Performance Management – continuing to drive up performance and measuring performance improvements through the development of links between financial and non-financial performance
- Procurement – Continuation of the improved procurement strategy approach
- Best Value – Complete best value reviews in accordance with the authorities agreed improvement plan
- Workforce Planning – Attempts will continue to improve sickness management and reduce levels, monitor skill and training requirements
- E-Government – Continue with the implementation of the e-government strategy focusing on service improvement and efficiencies through easier access to or reengineering of services
- Development of partnerships/joint working – to build on existing good practice or develop new arrangements in line with the 'County Durham Accord' Reviewing arrangements and outputs of existing partnerships.
- Increased benchmarking

The authority's medium term financial plan already features a number of efficiencies required to achieve ongoing frontline service delivery at existing and improved levels together with meeting the aim of low council tax increases.

Key Actions to be taken in the year

Improved use of assets

- The authority will carry out a review of its corporate property portfolio to allow for future improvements and rationalisation
- Surplus assets will be disposed of reducing the need for additional borrowing to fund capital schemes, generate investment returns and deliver capital projects that in some cases improve revenue streams.
- A new Asset Management system to be introduced to record and maintain the Authority's assets.

Performance Management

- Further development in linking performance to productivity savings that can be measured in financial terms
- Reduce transactional costs by improved IT use, continuation of frontline processing of benefits, review of cash collection facilities (best value review)
- Linking financial and non-financial performance.

Project Management

- The Authority has reviewed its arrangements for Project Management to ensure efficient use of resources and delivery of expected outcomes. To aid this it has recently invested in bespoke Project Management software and identified key Project Management Officers within the Authority who have received Prince 2 training.

Procurement

- Delivery of savings on the authority's acquisition of goods and services by establishing
 - Standard documentation for tendering
 - Standard purchasing terms and conditions for the authority
 - A standard process for quotation and tendering
 - A sourcing plan to provide visibility and control of the major sourcing that will occur across the authority
 - A standard process for decision making and reporting of major sourcing items
 - An e-tendering system to improve transparency
 - Introduction of E-Marketplace
 - Joint working with Chester Le Street District Council

Efficiency Strategy

Appendix 1

- Targets in service plans
- Spending reviews with budget holders and with suppliers
- Study the use of already established aggregated contracts within the public sector.

Best Value

- Complete a best value review of cash collection services examining the choices, costs and effectiveness of different methods, making comparisons with other authorities

Workforce Planning

- Continue in the attempt to drive down sickness
- Further develop flexible and home working for appropriate officers and types of work
- Look to develop initiatives to combat specific recruitment and retention problems
- Consider skill gaps and retraining
- Introduction of an integrated Payroll/Personnel system

E-Government

- Increase current e-recruitment levels
- Increase e-payment levels
- Reduce transactional costs through the use of in-house systems to publish rent and council tax balances, and the increase use of the Planning Portal
- Expansion of e-billing to reduce paperwork and improve timeliness of bills being issued
- Further development of Document Image processing and Workflow beyond the pilot schemes in place

Development of partnerships/joint working

- To continue to work with the county Durham E-government partnership to deliver economies of scale in the achievement of CRM system and other initiatives
- Continue to work with DurhamNet and evaluate the options available for the future development of the ICT networks being provided in conjunction with our partners at Durham County Council

Service Led Initiatives

Culture and Sport

- Continue to examine the options for further outsourcing of the service with a view to improved service delivery and/or reductions in costs.
- Look at the feasibility of new asset development creating purpose built facilities that are more efficient to run than current facilities

Environmental Services

Efficiency Strategy

Appendix 1

- Monitor the impact of a new approach to recycling through the new 'Twin Bin' system.
- Continue to develop the authority's push in regard to recycling. Specifically monitoring the new refuse collection arrangements which will come into effect during the upcoming year.
- Monitor the extended outsourced grass cutting arrangements from both a quality and cost perspective.

Local Transport

- Continue to monitor the effectiveness and efficiency of the new Stanley Bus Station

Supporting People

- Review existing schemes to achieve efficiencies against the backdrop of reducing grants

Corporate Services

- Finance
 - Continue to improve council tax collection rates
 - Further develop the improvements to the benefits services via the MARC vehicle increasing public access to benefits information and speeding up processing times
 - Improve electronic transfer of financial management information increasing capacity across the accountancy division
 - Continue to develop Agresso with the roll out of Web and Invoice Manager
- Human resources
 - Complete the implementation of DIP/Workflow reducing administration
 - Review recruitment procedures to free up capacity into other areas
 - Implement a new HR/Payroll system to reduce duplications
- ICT
 - Review corporate telephony requirements and existing contracts with a view to reducing costs
 - Continue with a pilot scheme to assess the feasibility and efficiencies of Committee Software, allowing minutes of meetings to be available 'on-line', thereby eliminating the requirement to print copies of minutes to be circulated to individual officers/members.

Efficiency Strategy
Appendix 1

	Expected annual efficiency gains (£)	...of which cashable (£)
Adult social services		
	<p>Strategy:</p> <p>Key actions:</p>	
Children's services		
	<p>Strategy:</p> <p>Key actions:</p>	
Culture and sport		
	<p>Strategy: To develop assets in order to provide more efficient buildings offering a wider range of leisure services to the public</p> <p>To further outsource leisure services to an external provider in order to provide an increased quality of services beyond 2008</p> <p>Key actions: To continue to examine the options for further outsourcing of the service with a view to improved service delivery and/or reductions in cost.</p> <p>Assess the feasibility of new asset development creating purpose built facilities that are more efficient to run than current facilities.</p>	

Efficiency Strategy
Appendix 1

Environmental services	148,000	148,000
	<p>Strategy: To increase the Authority's recycling capacity and provide a more cost efficient service.</p> <p>Key actions: Monitor the impact of a new approach to recycling through the 'Twin Bin' scheme.</p> <p>Continuing to develop the authority's push in regard to recycling. Specifically monitoring of the new refuse collection arrangements which will come into effect during the upcoming year.</p> <p>Monitoring of the newly extended Grass Cutting arrangements from both a quality and cost perspective.</p>	
Local transport (highways)		
	<p>Strategy:</p> <p>Key actions:</p>	
Local transport (non-highways)	40,000	40,000
	<p>Strategy: To develop assets in order to provide more efficient and effective local transport infrastructure.</p> <p>Key actions: Continuing to monitor the effectiveness and efficiency of the new Stanley Bus Station.</p>	

Efficiency Strategy
Appendix 1

LA social housing (capex)		
	<p style="text-align: right;">Strategy: Key actions:</p>	
LA social housing (other)		
	<p style="text-align: right;">Strategy: Key actions:</p>	
Non-school educational services		
	<p style="text-align: right;">Strategy: Key actions:</p>	
Supporting people		
	<p>Strategy: To provide as high a quality service as possible to those most at risk. Key actions: Continue to review schemes in order to achieve efficiencies against a backdrop of reducing grants.</p>	
Homelessness		
	<p style="text-align: right;">Strategy: Key actions:</p>	
<p>Other cross-cutting efficiencies not covered above</p>		

Efficiency Strategy
Appendix 1

	Corporate services	281,000	281,000
<p>Strategy: To continually improve the effectiveness and efficiency of services to give greater value for money to the public.</p> <p>To further expand and develop the authority's IT systems to improve monitoring and streamlining of key processes.</p> <p>To continue to utilise resources in the most cost effective manner.</p> <p>Key actions: Continued improvement of Council Tax collection rates.</p> <p>Ongoing improvement of the benefits service via the MARC vehicle increasing public access to benefits information and speeding up processing times.</p> <p>Continued improvement of electronic transfer of financial management information, increasing capacity across the accountancy division.</p> <p>Continuing to develop Agresso with the roll out of Web and Invoice Manager.</p> <p>Ongoing DIPS/Workflow implementation reducing administration.</p> <p>Ongoing review and streamlining of recruitment procedures to free up capacity in other areas.</p> <p>Implementation of a new HR/Payroll</p>			

Efficiency Strategy
Appendix 1

	<p>system to reduce duplication of effort.</p> <p>Review corporate telephony requirements and existing contracts with a review to reducing costs.</p> <p>Continue with a pilot scheme to assess the feasibility and efficiencies of Committee Software, allowing minutes of meetings to be available 'On-Line', thereby eliminating the requirement to print copies of minutes to be circulated to individual officers/members</p> <p>Renting of surplus council warehouse/office space to external organizations.</p> <p>Centralizing of Stores, resulting in the closure, and therefore rent, rates and utility saving of West Stores depot</p>	
Procurement	62,000	62,000
Productive time	155,000	130,000

Strategy: To continually provide a service to the authority that will give rise to greater Value For Money, improved purchasing terms and ongoing cash savings in excess of the cost of the service.

Key actions: Ongoing improvement, streamlining and harmonization of Procurement Processes within the Authority

Efficiency Strategy
Appendix 1

	<p>Strategy: To continue to assess departmental structures in the search for improved working practices</p> <p>To continually challenge existing working methods</p> <p>Key actions: Restructure of the Policy Department, freeing up staff resources to be used elsewhere</p> <p>Streamlining systems and working practices within Revs and Bens resulting in more cases being handled and an increase in Housing Benefit subsidy</p>	
	Transactions	14,000
		14,000
Miscellaneous efficiencies	345,000	140,000

Efficiency Strategy
Appendix 1

	<p>Strategy: To identify and explore areas of shared working which will enable a reduction in the costs of services provided.</p> <p>To achieve the targets laid down by IEG 6</p> <p>Key actions: Continuation of Shared Services with Wear Valley (Job Evaluation) and Chester Le Street (Head Of Procurement)</p> <p>Implementation of Action Plan as detailed in IEG 6 return</p>	
Total	1,045,000	815,000

DDC - Efficiencies - Progress against target

