

FORWARD LOOKING ANNUAL EFFICIENCY STATEMENT 2007/08

Report By: Head Of Financial Services

Wards Affected

County-wide.

Purpose

1. To inform Strategic Monitoring Committee of the Council's draft strategy for the 2007/08 Annual Efficiency process, to indicate progress to date on procurement issues and to provide an update on future prospects for the Government's efficiency agenda.

Background

2. The Council is required to provide a Forward Looking Annual Efficiency Statement for 2007/08 as part of the national 'Gershon' Efficiency Agenda. In cumulative terms the Council needs to identify as a minimum total of £9.93m by the end of 2007/08 (3-year period).
3. In accordance with current requirements at least half of these efficiency gains need to be 'cashable', i.e. releasing additional cash resources. For 2007/08 £1.65m has been included in the revenue budget. The remaining efficiencies will be achieved through the Herefordshire Connects programme plus various procurement and efficiency review activities. This will deliver significant non-cashable and some additional cashable efficiencies for the Council.
4. To support the process the Strategic Procurement and Efficiency Manager is developing procedures and methodologies to recognise, capture, measure and validate both the cashable and non-cashable efficiencies. These will involve working in partnership with the relevant Service and Financial Managers. This will also ensure that any stated efficiency gains will stand up to review by the Audit Commission should they chose to audit our Annual Efficiency Statement.

Forward Looking Annual Efficiency Statement 2007/08

5. Appendix A contains the detailed draft list of efficiencies and these will contribute to the main part of the Efficiency Statement. During the year these may change and will be formally reviewed for the autumn interim monitoring statement.
6. The draft list at Appendix A covers the annual efficiency gain required for 2007/08. The target is £3.3m of which £1.65m is to be 'cashable'. The list totals £4.2m with £3.513m being cashable. The split between non-cashable and cashable will be reviewed as the year progresses but cashable savings may also link to the Herefordshire Connects agenda and will be assessed to see if they help deliver this programme's savings requirements.
7. The list covers all directorates with evidence of a new emphasis being placed on procurement. As part of the 2007/08 budget process procurement and efficiency savings contribute £250,000 to achieving a balanced budget. The new Medium Term Financial Management Strategy makes a clear link between the Annual Efficiency Statement process and delivering a balanced budget.

8. The Efficiency Statement needs to be signed off by the Leader, Chief Executive and Director of Resources by 17 April and submitted to the Department of Communities and Local Government. Should any changes need to be made to the Efficiency Statement they will be communicated to Cabinet Members.

Progress to Date

9. Since the appointment of the Strategic Procurement and Efficiency Manager in November 2006 the Council's procurement and efficiency activities have improved. The following outlines the progress to date:
 - i) Temporary Staff Tender. This contract will create a 'master vendor' agreement to help manage the temporary worker needs of the Council and streamline its current processes. The number of direct suppliers the Council will deal with will reduce from 60 to 1. The project is nearing completion and an estimated cashable saving of £150,000 and non-cashable process savings of £50,000 is anticipated.
 - ii) Waste Management. This is in the early stages of procurement and draft documentation has been created. The tender will be managed using an e-tender with software funded by West Midlands Centre of Excellence meaning time and resources can be spent on developing the specification. This contract is key to achieving the Council's waste strategy
 - iii) Accommodation and Support tender for Learning Disability Services. Support is being provided on procurement aspects of the tender. The purpose is to set up partnership with an organisation to change the way the Council delivers Accommodation and Support services to people with learning disability.
 - iv) Supply of Library Books. A joint contract with Shropshire County Council is nearing completion and will see improved terms whilst remaining with same supplier. The benefits will be confirmed in April.
 - v) West Mercia Supplies (WMS). We are working closely with WMS to look at new ways to ensure Directorates use the service appropriately. Improvements such as a new way of purchasing electricity for street lighting, and the creation of an 'Energy Saving Consortium' (ESCo) to help reduce energy bills for buildings are being investigated.
 - vi) Procurement Tools. The development of guidance notes; standard procurement documents; the Council's terms and conditions and a supplier directory will improve performance. These will be housed on the intranet for easy access by all staff.
 - vii) Postal Services Review. A detailed review of postal services and associated costs across the Council is underway. Since the deregulation of postal services in 2006 alternative suppliers have entered the market and considerable cashable savings can be achieved. The review will also look at the use of franking machines and how 'Pricing in Proportion' has affected the Council. The expected completion date for the review and associated actions is 30th April.
10. The above list totals £150,000 of cashable savings; the balance (£100,000) of the overall target will be met from other activities outlined above.

11. In addition various procurement exercises are due to start in the next few months; -
- The Council currently uses water dispensers to supply staff with water. The replacement of bottled water machines with more cost effective mains machines is to be evaluated.
 - A printer and photocopier provision review to identify where printers and copiers can be replaced by multi-functional devices to reduce current costs and IT maintenance time.
 - The Lease car re-tender will examine reducing the number of suppliers from 3 to 1. It will also seek improvements around environmental issues surrounding lease cars by assessing whether environmental impact issues can be included in vehicle specifications.
 - A review of the supply of DVD's and CD's for libraries will be jointly undertaken with Shropshire County Council, Worcestershire County Council and Telford and Wrekin.
 - For PC's and Laptops there maybe an opportunity to join Shropshire's e-auction for PC's and laptops to benchmark prices and be part of a contract if prices and quality issues are favourable.

Benefit Card

12. To ensure that efficiency savings and benefits are managed effectively the Herefordshire Connects Board requested that a mechanism should be developed. In the interests of simplicity it was agreed that the Council adopt one mechanism for identifying, approving and monitoring delivery of benefits for all change programmes – not just Herefordshire Connects – to manage the corporate efficiency agenda.
13. It was agreed by Corporate Management Board that a proforma 'Benefit Card' is used to collect the key information needed to manage the benefits that will flow from the change procurement. Following sign off, the Benefit Card will contain all the information needed to track changes in the base budgets and monitor delivery against agreed financial and service targets.

Backward Look Statement

14. The Council is required to submit the backward look efficiency statement on 5 July 2007. This is an end of year report which states what has been achieved during the financial year. Its format is very similar to the Forward Looking Statement and is completed on a self-assessment basis.
15. Efficiency savings feature prominently in the 'Use of Resources' section of the CPA and therefore will continue to be key to CPA ratings. As of December 2006 it now takes account of the external auditor's review of efficiency gains reported for the year in the Annual Efficiency Statement.

Comprehensive Spending Review 2007

16. The initial indication is that Comprehensive Spending Review 2007 (CSR07) will include changes to the efficiency agenda. The current split between cashable and non-cashable efficiencies may change with a greater emphasis to be placed on cashable savings. It is also possible that the overall level of efficiencies will increase. The background to any change is one of an anticipated 'tight' local government financial settlement and local government's ability to deliver a higher level of efficiencies than central government's target. If this should happen Herefordshire may be better placed than some authorities given the recent move to a more systematic procurement model.

Risk Management

17. A failure to realise efficiency savings may impact on the ability to deliver objectives within the corporate, directorate and service plans. An ongoing commitment to efficiency gains and savings is necessary in the light of both the current corporate financial and the anticipated tight central financial settlements for Comprehensive Spending Review 2007.

RECOMMENDATION

THAT the Council's list of efficiency gains as set out in Appendix A be supported, subject to any comments the Committee wishes to make.

BACKGROUND PAPERS

- Draft Forward Look Annual Efficiency Statement Benefit car pro-forma.