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## Report of the Director of Corporate Services

### Executive Board

Date: 5<sup>th</sup> July 2006

Subject: Annual Efficiency Statement – Backward Look 2005/06

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Electoral wards affected:

Specific implications for:

Ethnic minorities

Women

Disabled people

Narrowing the gap

Eligible for call in

Not eligible for call in  
(details contained in the report)

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### Executive Summary

The report of Sir Peter Gershon entitled 'Releasing resources to the front line, independent review of Public Sector Efficiency' in July 2004, identified that efficiency savings of £21bn could be delivered across the public sector over the three years from 2005/06, with £6.45bn available in Local Government. Following this Councils have been set the target of delivering efficiency gains of 2.5% per annum over the three year period of the Spending Review 2004 from 2005/06 to 2007/08. As part of this process, an Annual Efficiency Statement must be produced and approved by the Leader, Chief Executive and the Council's Section 151 Officer (Director of Corporate Services) each financial year.

This report sets out the Council's efficiency gains for the 2005/06 financial year. These will form the Backward Looking statement to the Department for Communities and Local Government that must be submitted by 6<sup>th</sup> July 2006. The Backward Looking Statement 2005/06 shows the value of efficiency gains achieved for the whole of 2005/06 and the cumulative efficiencies, equal to the 2004/05 efficiency gains plus the gains achieved for 2005/06.

The Authority's Backward Looking Statement for 2005/06 shows that the Authority has delivered efficiencies in 2005/06 totalling £18.924m, with cumulative efficiencies totalling £30.87m against a 2.5% target of £15.34m.

The Executive Board is asked to note the contents of this report and the decision by the Leader, Chief Executive and the Director of Corporate Services to approve the Annual Efficiency Statement - Backward Look 2005/06 for submission to the Department for Communities and Local Government by 6<sup>th</sup> July 2006.

## **Purpose of this report**

- 1.1 This report sets out the Council's efficiency gains to date for the 2005/06 financial year. These will form the Backward Looking statement to the DCLG that must be submitted by 6<sup>th</sup> July 2006.
- 1.2 An Efficiency Technical Note published by the Office of the Deputy Prime Minister in January 2005 provided guidance to Authorities in measuring and reporting on efficiency gains. This guidance required that the Annual Efficiency Statement must be seen, certified and approved by the Leader, Chief Executive and the Council's Section 151 Officer prior to submission.
- 1.3 As such, this report asks the Executive to note the contents of this report and the decision by the Leader, Chief Executive and S151 Officer to approve the Annual Efficiency Statement - Backward Look 2005/06 for submission to the Department for Communities and Local Government by 6<sup>th</sup> July 2006.

## **2.0 Background information**

- 2.1 Following the publication of a report entitled 'Releasing resources to the front line, independent review of Public Sector Efficiency' in July 2004, the Council is required to deliver efficiency gains of 2.5% per annum over the three year period of the Spending Review 2004 from 2005/06 to 2007/08. As part of this process, an Annual Efficiency Statement must be produced and approved by the Leader, Chief Executive and S151 Officer each financial year.
- 2.2 The Annual Efficiency Statement comprises two key components; one part forward looking and the other part backward looking. The forward looking element sets out efficiencies that the Council plans to achieve in the forthcoming financial year, while the backward looking element reports on efficiencies that have been achieved. In addition, a Mid Year Update is required from all single tier and county councils, except those that have been rated as '4 star under CPA. However, it is recommended that all authorities complete a mid year update as best practice.
- 2.3 As such, the Council was required to submit a Forward Looking Statement for 2005/06 by 15<sup>th</sup> April 2005 setting out the strategy for securing efficiency gains, the key actions that would be taken to deliver efficiencies and the efficiency gains that were expected to be delivered; a Mid Year Update by 17<sup>th</sup> November 2005 that was considered by the Executive Board on 16<sup>th</sup> November 2005, setting out the efficiencies that had been achieved during 2005/06 to date and the value of efficiencies that are expected to be achieved during the whole of 2005/06; and a Backward Looking Statement for 2005/06 by 6<sup>th</sup> July 2006 setting out the efficiency gains achieved in the past financial year by service sector and cross cutting area.

## **3.0 Main issues**

- 3.1 Forward Looking Statement 2005/06
  - 3.1.1 For 2005/06 the Authority had an efficiency target of £15.34m, being 2.5% of the Authority's 2004/05 baseline expenditure. This baseline calculation was prepared on the basis of the Authority's estimated spend for 2004/05, excluding schools, police revenue expenditure and specific one off grants.
  - 3.1.2 In addition to delivering efficiencies totalling 2.5%, at least 50% of these (1.25% or £7.67m) had to be of a cashable nature, whereby resources are released, as

opposed to non-cashable efficiencies which result from delivering enhanced outputs for the same inputs.

3.1.3 Against this target of £15.34m, the Authority submitted a Forward Looking Statement for 2005/06 totalling £18.85m and is summarised below:

<b>Sector</b>	<b>Annual Efficiency Statement £m</b>	<b>Cashable £m</b>	<b>Non Cashable £m</b>
<b>Adult Social Services</b>	3.25	2.88	0.37
<b>Children's Services</b>	1.18	0.93	0.25
<b>Culture and Sport</b>	1.874	1.774	0.10
<b>Environmental Services</b>	2.043	1.544	0.499
<b>Local Transport</b>	0.602	0.602	0
<b>Local Authority Social Housing</b>	5.84	3.02	2.82
<b>Corporate Services</b>	1.101	1.101	0
<b>Procurement</b>	0.704	0.704	0
<b>Productive Time</b>	0.06	0	0.06
<b>Transactions</b>	0.544	0.544	0
<b>Miscellaneous</b>	1.652	1.442	0.21
<b>Total</b>	<b>18.85</b>	<b>14.541</b>	<b>4.309</b>

3.1.4 The cashable efficiencies identified above were further detailed in the 2005/06 Budget Reports.

3.2 Backward Looking Statement 2005/06

3.2.1 The Backward Looking Statement 2005/06 shows the value of efficiency gains achieved for the whole of 2005/06 and the forecast cumulative efficiencies, equal to the 2004/05 efficiency gains plus the gains achieved for 2005/06. A summary of the Backward Looking Statement is summarised below:

<b>Sector</b>	<b>Efficiency Gain 04/05 £m</b>	<b>Efficiency Gain 05/06 £m</b>	<b>Cumulative Total £m</b>	<b>Cumulative Cashable £m</b>
<b>Adult Social Services</b>	0.24	1.61	1.85	0.80
<b>Children's Services</b>	0	0.46	0.46	0.10
<b>Culture and Sport</b>	0.83	1.03	1.86	1.38
<b>Environmental Services</b>	0.51	1.36	1.87	1.40
<b>Local Transport</b>	0.93	1.37	2.3	2.18
<b>Local Authority Social Housing</b>	6.29	7.96	14.25	9.26
<b>Supporting People Homelessness</b>	0	0.18	0.18	0.18
<b>Homelessness</b>	1.18	0	1.18	0
<b>Corporate Services</b>	0	0.90	0.90	0.90
<b>Procurement</b>	0.68	0.39	1.07	0.39
<b>Productive Time</b>	0.56	0.31	0.87	0.20
<b>Transactions</b>	0.73	1.46	2.19	1.07
<b>Miscellaneous</b>	0	1.89	1.89	1.20
<b>Total</b>	<b>11.95</b>	<b>18.92</b>	<b>30.87</b>	<b>19.06</b>

- 3.2.2 As reported in the Mid Year Update, following the submission of the Forward Looking Annual Efficiency Statement in April 2005, the Government allowed Local Authorities to include efficiencies generated during 2004/05 against their 2005/06 target. As seen above, the Council identified £11.95m of efficiencies that were delivered in 2004/05 but which may be included towards achieving our 2005/06 target figure of £15.34m.
- 3.2.3 The main variations between the Forward Looking Statement 2005/06 and the efficiency gains delivered in 2005/06 are discussed below:
- 3.2.4 **Adult Social Services £1.61m (target £3.25m)** –performance improved in utilising block contracts which resulted in savings of £0.65m, although this was against a target of £1.0m. Work is ongoing in this area to maximise efficiencies in 2006/07 with new contracts being let from April 2006. In addition, target staffing efficiencies of £0.9m were not delivered in full, while further work is required in 2006/07 to deliver efficiencies in the meals service of £0.3m.
- 3.2.5 **Children’s Social Services - £0.46m (target £1.18m)** – slippage in reconfiguring service delivery resulted in a shortfall in a number of proposed efficiency areas. A re-tendering exercise was undertaken part way through the year savings from which will not be fully realised until 2006/07. Also a number of proposed specific staffing efficiencies were not delivered in full, although in overall terms the department did maintain staffing within the approved budget
- 3.2.6 **Culture and Sport £1.03m (target £1.87m)** – whilst many areas of the service delivered their target efficiencies, procurement savings were less than anticipated in Parks and Countryside (£0.2m) and non cashable efficiencies in Jobs and Skills (£0.25m) were less than forecast. .
- 3.2.7 **Environmental Services £1.36m (target £2.04m)** – Service pressures in relation to refuse collection meant the service was not able to deliver the target savings (£0.34m). The proposal to purchase a further engine at the Gamblethorpe Landfill site did not proceed as the required units of energy to support the purchase were not being generated (£0.19m).
- 3.2.8 **Local Transport £1.37m (target £0.60m)** – the identification of further efficiencies by West Yorkshire Passenger Transport, including placing timetables on the Web and efficiencies in procuring school bus transport resulted in higher than anticipated efficiencies being delivered. In addition, improvements to the highway infrastructure have resulted in a reduction in the Highways Third Party liability required (£0.5m).
- 3.2.9 **Social Housing £7.96m (target £5.84m)** – a reduction in levels of disrepair claims (£1.035m), together with higher than anticipated efficiencies from the ALMO’s (£6.62m) has resulted in the target for Social Housing being exceeded.
- 3.2.10 **Supporting People £0.18m (target £0m)** – improved outputs from contract resulted in efficiency being generated.
- 3.2.11 **Corporate Services £0.9m (target £1.1m)** – efficiencies delivered mostly in line with target included decommissioning of the Authority’s mainframe computer and delivery of savings from the Academy computer system.
- 3.2.12 **Procurement £0.39m (target 0.7m)** – whilst procurement efficiencies for contracts that have been awarded for individual departments are reflected in the service specific sectors above, a number of efficiencies have been generated on Authority

wide contracts. However, the installation of water meters on Traveller's sites has not realised the full efficiency.

- 3.2.13 **Productive Time £0.31m (target £0.06m)** - The rollout of the new IT infrastructure generated additional part year efficiencies of £0.2m relating to improved user account management, savings on the cost of nightly backups and reducing the support cost associated with the continuing growth in the network.
- 3.2.14 **Transactions £1.46m (target £0.54m)** – additional efficiencies in the collection of Council Tax and NNDR as a result of an increase in electronic payment methods generated additional non cashable efficiencies of £0.49m.
- 3.2.15 **Miscellaneous £1.89m (target £1.65m)** – additional efficiencies identified during the year include extra income generated by the Interpretation and Translation service (£0.2m) and a review of the work undertaken by Cost Draughtsmen in Legal Services (£0.1m).

#### **4.0 Conclusions**

- 4.1 The Council is required to deliver efficiency gains of 2.5% per annum over the three year period of the Spending Review 2004 from 2005/06 to 2007/08. As part of this process, an Annual Efficiency Statement must be produced and approved by the Leader, Chief Executive and Chief Financial Officer each financial year.
- 4.2 This report summarises information contained in the Authority's Backward Looking Statement for 2005/06. Overall, the Authority remains on line to deliver efficiencies of 2.5% per annum over the period 2005/06 to 2007/08, with cumulative efficiencies to date totalling £30.87m against a target of £15.34m.

#### **5.0 Recommendations**

- 5.1 The Executive Board is asked to note the contents of this report and the decision by the Leader, the Chief Executive and the Director of Corporate Services to approve the Annual Efficiency Statement - Backward Look 2005/06 for submission to the Department for Communities and Local Government by 6<sup>th</sup> July 2006.