

<p>LONDON BOROUGH OF BRENT</p> <p>Executive - 12 April 2005</p> <p>Report from Director of Finance</p>	
For action	Wards affected: None

Report Title: Annual Efficiency Statement

Forward Plan Ref: BFS-04/05-99

1.0 Summary

1.1 This report sets out progress on developing the council's strategy for implementing the recommendations of the Independent Review of Public Sector Efficiency by Sir Peter Gershon and asks for the Executive's endorsement of the forward looking annual efficiency statement that the council is required to submit to ODPM by 15th April 2005.

2.0 Recommendations

2.1 The Executive endorses the Annual Efficiency Statement for 2005/06 attached as Appendix A to this report.

3.0 Background to the Gershon review

3.1 The Gershon Review reported into efficiency savings in the public sector as part of the 2004 Spending Review. Target savings across the public sector were set at £21.5 billion per annum by 2007/08. Target savings in local government were set at £6.45 billion per annum by 2007/08. 40% of efficiency savings for local government are expected to come from within school budgets – although these will only be available for recycling within the overall schools budget.

3.2 The savings for local government have been taken into account in overall funding levels set for the period 2005/06 to 2007/08. There are therefore no direct funding implications for individual authorities if target savings are not achieved.

3.3 Successful implementation of the Gershon agenda will:

- Help the council meet national and local priorities;
- Produce better value and therefore reduce the savings required from the annual savings exercise; and
- Contribute to the achievement of an excellent rating in CPA by:
 - Demonstrating how the council is maximising its capacity in the corporate assessment element of CPA;
 - Helping the council achieve a good score in the use of resources element of CPA;
 - Helping the council to demonstrate value for money in individual service assessments for CPA.

4.0 Delivering improved efficiency in Brent

- 4.1 An Efficiency Board has been set up by CMT to drive the efficiency agenda forward. The Board, which is chaired by the Director of Finance, is overseeing the work of a number of task groups which are reviewing opportunities to deliver efficiency savings under each of the Gershon work-stream, namely:
- Procurement;
 - Support services;
 - Transactional services; and
 - Productive time of staff.
- 4.2 Each of the work-streams has identified a number of potential projects which will deliver efficiency savings in the short, medium, and longer term. The Board has now asked the teams working on individual work-streams to short-list these projects on the basis of size of potential savings, ease of delivery, cost of delivery, speed of delivery, and policy implications, and start working up project plans for those projects that offer most potential to deliver efficiency savings.
- 4.3 The Efficiency Board is also reviewing the communications strategy for the Gershon related activity to ensure there is a good understanding across the organisation of what it is trying to achieve and a recognition that this is about increasing the value of the work we do, not cuts in services. The communications strategy will also address how Members and staff can get involved in the development and delivery of Gershon work-streams.
- 4.4 The work being carried out by the Efficiency Board and the individual work-streams will feed into the 2006/07 budget process.
- 4.5 Prime responsibility for achieving the schools' target lies with DFES but the council has a role in supporting schools at a local level, for example, on workforce reform. There are also opportunities to develop the existing support on financial management through EAL to deliver

efficiencies under the Gershon agenda. The Audit Commission recently emphasised the need for local authorities to be actively involved in supporting schools' financial management, and this is an area that is likely to receive attention in CPA in the future. A specific work-stream has therefore been developed for schools. This is chaired by Martin Stratford, Assistant Director in EAL, and includes officers from corporate services as well as head teacher representatives.

5.0 Annual efficiency statement

5.1 The principal focus of the work of the Efficiency Board is to develop a programme of activity that will deliver better value in Brent. But the government has also issued guidance on what it expects councils to do in taking forward the Gershon agenda and how it plans to monitor this activity.

5.2 Councils are expected to:

- Produce an Annual Efficiency Statement by 15th April 2005 which sets out the approach they are taking to delivering efficiency savings in 2005/06;
- Produce a further statement by 16th June 2005 setting out efficiency savings achieved in 2004/05;
- Produce a mid-year update on progress on delivering efficiencies by 17th November 2005.

5.3 The government has also set councils targets for savings based on the national targets of savings of 2.5% per annum up to 2007/08. These include savings on the capital programme as well as savings in revenue budgets and amount to the following for Brent:

	2005/6 £m	2006/7 £m	2007/8 £m
<i>Cashable savings:</i>			
- revenue	2.78	5.56	8.35
- capital	0.65	1.31	1.96
Total cashable savings	3.43	6.87	10.31
<i>Non-cashable savings</i>			
- revenue	2.79	5.57	8.35
- capital	0.65	1.31	1.96
Total non-cashable savings	3.44	6.88	10.31
<i>Cashable and non-cashable</i>			
- revenue	5.57	11.13	16.70
- capital	1.30	2.62	3.92
Total savings	6.87	13.75	20.62

- 5.4 The form of the Annual Efficiency Statement is prescribed by the ODPM. They have stated that they expect it to be signed by the Leader, Chief Executive and Director of Finance. The contents of the statement, which is at Appendix A, refer to what the council is already doing and not to what we expect to be able to deliver by taking the strategic approach to delivery of the efficiency agenda set out in section 4 above.
- 5.5 The Executive is asked to endorse the statement in Appendix A, but also note the on-going work on delivering improved efficiency in Brent.

6.0 Financial Implications

- 6.1 Full Council on 28th February agreed to set aside £250k from balances to fund costs of delivering efficiency savings through the Gershon agenda, subject to the funds being paid back over the next three years of the medium term financial plan.
- 6.2 There are no direct financial implications arising from endorsement of the efficiency statement.

7.0 Legal Implications

- 7.1 There are no legal implications from this report.

8.0 Diversity Implications

- 8.1 There are no diversity implications from this report.

Background Papers

Gershon report – Independent review of public sector efficiency – July 2004

ODPM - delivering efficiency in local services – guidance to Leaders and CEs – Nov 2004

ODPM – draft LG efficiency technical note – Nov 2004

DFES – draft education efficiency technical note – Nov 2004

ODPM – draft social housing efficiency technical note – Dec 2004

ODPM – up-dated LG efficiency technical – Jan 2005

ODPM – delivering efficiency in local services – further guidance to LAs – Jan 2005

DFES – circular letter to CEs and DCSs on efficiency and schools – Feb 2005

ODPM – circular letter to CEs on delivering efficiency in local services – Feb 2005

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Annual Efficiency Statement - Forward Look

Strategy for securing efficiency gains

The council's strategy for securing efficiency gains in 2005/06 is as follows:

- an annual 2% savings target which all services are expected to achieve. For 2005/06, the total budgeted savings arising directly from the application of that target are £4m, of which roughly half - £2.1m - are efficiency savings;
- other cashable savings from activities outside service budgets but which contribute directly to reducing council tax levels, including £0.8m from improvements in council tax collection;
- non-cashable savings – where the council cannot use the funds to reduce the charge to council tax payers - including £0.5m on supporting people and £0.2m as a result of improved non-domestic rate collection.

Total estimated efficiency savings in 2005/06 are £3.895m of which £2.875m are cashable.

We also achieved efficiency savings in 2004/05 which are not currently included in the 2005/06 totals. Our forecast outturn for efficiency savings in 2004/05 is a total of £5.855m of which £3.723m are cashable

We have not yet calculated estimated efficiency savings from capital related activities. However, cumulative efficiency savings in 2004/05 and 2005/06 of £9.750m exceed the target for Brent in 2005/06 of £6.870m. Of the total savings we have achieved in 2004/05 and are budgeting to achieve in 2005/06, over two-thirds are cashable.

In addition to the annual 2% savings all service areas are required to identify, the council has a strong focus on tackling inefficiency in services. Regular top level meetings are held to address weaknesses identified in services which has led to a turnaround in services such as revenues, benefits and sports services.

We are also currently developing a strategy in line with the Gershon agenda to deliver savings in future years by looking across the organisation at opportunities for improved efficiency in procurement, support services, transactional services, and productive time. We plan to identify further quick wins which can be achieved in 2005/06 but also identify programmes for delivering efficiency savings in both the medium and longer term by seeking out opportunities across the organisation and by working with others.

Key actions to be taken during the year

	Expected annual efficiency gains (£)	...of which related to capital spend (£)	...of which related to other spend (£)	...of which cashable (£)
Adult social services	882,000			882,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - driven by 2% corporate savings exercise; - working with other departments to progress the Gershon work-streams <p>Key actions:</p> <ul style="list-style-type: none"> - improved debt collection - improved use of productive time by reducing use of agency staff to cover vacancies 			
Children's services	61,000			61,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - driven by 2% corporate savings exercise; - working with other departments to progress the Gershon work-streams; - in the process of introducing a new Children and Families service which is expected to provide opportunities for more efficient and effective joint working <p>Key actions:</p> <ul style="list-style-type: none"> - principally through review of administrative support 			

Culture and sport	-			-
	<p>Strategy:</p> <ul style="list-style-type: none"> - no efficiency savings were identified in culture and sport in the 2005/06 budget; - working with other departments to progress the Gershon work-streams; - further opportunities may arise from bringing culture and sport into one service area as a result of corporate re-organisation <p>Key actions:</p> <ul style="list-style-type: none"> - 			
Environmental services	26,000			26,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - driven by 2% corporate savings exercise and waste management strategy; - working with other departments to progress the Gershon work-streams. <p>Key actions:</p> <ul style="list-style-type: none"> - significant improvements in recycling will allow reduction in one waste management and recycling officer post. 			
Local transport	96,000			96,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - driven by 2% corporate savings exercise; - working with other departments to progress the Gershon work-streams. <p>Key actions:</p> <ul style="list-style-type: none"> - efficiency savings in operational budgets 			
LA social housing	66,000			66,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - driven by 2% corporate savings exercise; - working with other departments to progress the Gershon work-streams. <p>Key actions:</p> <ul style="list-style-type: none"> - efficiency savings in operational budgets. 			

Non-school educational services	137,000			137,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - driven by 2% corporate savings exercise; - working with other departments to progress the Gershon work-streams. <p>Key actions:</p> <ul style="list-style-type: none"> - achievement of package of efficiency savings in Planning, Information and Resources Division and across the service; - transfer of music service to new premises 			
Supporting people	553,000			
	<p>Strategy:</p> <ul style="list-style-type: none"> - negotiate savings through SP contract reviews; - working with other departments to progress the Gershon work-streams. <p>Key actions:</p> <ul style="list-style-type: none"> - carry out effective service reviews of domestic violence, teenage parents and older people service to identify value for money and efficiency savings; - negotiating saving on mental health and single homeless contract prices following reviews undertaken in 2004; - working with provider benchmark group to identify good practice; - working with west London SP teams to benchmark costs; - re-tendering service where identified through reviews. 			
Homelessness	322,000			72,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - the pro-active management of homelessness, focusing on initiatives to prevent approaches and the need for temporary accommodation; - working with other departments to progress the Gershon work-streams. <p>Key actions:</p> <ul style="list-style-type: none"> - contracting out the homeless decision review process (currently provided in house); - review of homeless families furniture storage; - provision of in-house housing benefit team, which helps prevent homelessness due to rent arrears. 			

Other cross-cutting efficiencies not covered above				
Corporate services	149,000			149,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - driven by 2% corporate savings exercise; - this is one of the key work-streams coming out of Gershon and the council is developing an action plan to deliver savings from it. <p>Key actions:</p> <ul style="list-style-type: none"> - range of actions to achieve efficiency across the service 			
Procurement	20,000			20,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - there is a corporate procurement strategy which all service areas are required to follow; - this is one of the key work-streams coming out of Gershon and the council is developing an action plan to deliver savings from it; - cost pressures mean that in some cases savings will be in the form of minimisation of additional costs from re-tendering rather than actual cashable savings <p>Key actions:</p> <ul style="list-style-type: none"> - change in the procurement arrangements for the A-Z leaflet on council services; - other procurement savings are included in service area savings 			
Productive time	167,000			167,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - tied into development of human resource strategy - delivery of efficiency savings across a range of areas, including reduced sickness, use of hand-held technology, and other measures - this is one of the key work-streams coming out of Gershon and the council is developing an action plan to deliver savings from it <p>Key actions:</p> <ul style="list-style-type: none"> - savings from retirements in previous years where capital costs fall out of the budget 			

Transactions	1,263,000			1,046,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - principal focus is on services which were previously run by EDS ie revenues and benefits; - on-going process of improving both cashable and non-cashable savings in this area, with the major cashable saving coming from improvements in council tax collection; - this is one of the key work-streams coming out of Gershon and the council is developing an action plan to deliver savings from it. <p>Key actions:</p> <ul style="list-style-type: none"> - monitoring and managing the revenues contract with Capita; - implementation of the Verification Framework in benefits 			
Miscellaneous efficiencies	153,000			153,000
	<p>Strategy:</p> <ul style="list-style-type: none"> - identifying a range of efficiencies which contribute to the annual 2% savings target - developing our approach to the Gershon agenda <p>Key actions:</p> <ul style="list-style-type: none"> - a range of specific savings items 			
Total	3,895,000	0	0	2,875,000