

Committee: FINANCE AND RESOURCES

Date: 3 December 2007

Report EFFICIENCY SAVINGS

Purpose of the Report

1. To provide a framework for identifying, procuring and monitoring Efficiency Savings within the Authority.

Strategic Planning Framework

2. The information and recommendations contained in this report are consistent with the Authority's statutory purposes and its approved strategic planning framework, and in particular its objective 'to plan and manage all aspects of the Authority's business so as to make the most effective use of our resources and consistently reduce the environmental impact of the Authority's own projects and operations' (Best Value Performance Plan).

Introduction

3. In 2004, a review of spending within local government (itself part of the wider government Spending Review), led by Sir Peter Gershon, identified that by 2007/08 efficiency gains of at least £6.45bn could be made across the sector. Consequently, public sector targets for 'efficiency savings' were set, with local government being given annual efficiency targets of 2.5% for each of the three financial years to 2007/08, using 2004/05 financial year as a baseline.

4. The purpose of these efficiency measures is to raise productivity and improve value for money, so can either be straightforward **cashable** savings, or be achieving more with the same resource: **non-cashable savings**.

5. The savings have not meant a reduction in Revenue Support Grant or in local taxation income for the Local Government bodies so affected, as the savings identified are to be utilised to improve 'front-line services', as the key objective of the review being to '*release resources to fund the front-line services that meet the public's highest priorities by improve the efficiency of service delivery*' (*Delivering Efficiency in Public Services, HM Government 2004*).

6. The review itself requires that Local Government Bodies produce Annual Efficiency Statements (AES) for submission to government by set deadlines; the information submitted is subject to external audit as part of the 'Use of Resources Assessment' which in turn informs the Comprehensive Performance Assessment (CPA).

7. National Park Authorities are **excluded** from the requirement to submit AESs and from CPA. However, there is still pressure on National Park Authorities to make efficiency savings in response to the budgetary pressures that we face due to low or non-inflationary settlement increases. Moreover, it is clearly good practice to review expenditure in support of 'non-programme' areas. The Authority's staff have been doing this informally for a number of years but the process would now benefit from the Authority adopting a more structured approach to identifying, achieving and reporting efficiency savings.

8. The Yorkshire Dales National Park Authority has responded by making savings in a number of 'corporate overhead' budgets and details of some of these are included at paragraph 9 below. The objectives of this paper are therefore to:

- Report on those areas where significant progress has already been made;
- Identify current areas of spending for which a different approach may generate further savings.

Progress to date

9. A number of significant efficiencies have been made in the past and the impact of these has been taken account of in the current budget (2007/08); these savings have been achieved by following best practice financial principles and through procurement exercises in line with the Authority's Financial Regulations. These savings have an ongoing effect in future financial years. For example:

- the move to Yoredale in February 2006 led to significant savings in relation to the usage of fuel oil and
- the introduction of 'Voice over Internet Protocol' (VoIP) technology in 2005 has resulted in significant reductions on telephone charges (where the phone runs over our computer network, rather than paying BT), to save around £17k a year from 2006 onwards.
- The participation in the joint National Park Authorities / Local Authorities' Mapping service Agreement, which negotiates access to Ordnance Survey geographic data, saves round £42k a year on information costs
- The authority takes advantage of an education-based discount for Microsoft products, which has resulted in significant savings over the three year software assurance period.

10. More recently, significant savings have been made in the following areas. All of these savings enable the projected budget for 2008/09 to be reduced materially in these specific cost areas.

- The expenditure on stationery was reduced (compared to the previous year) by approximately £10,000 in 2006/07, in part following the implementation of a corporate contract with Lyreco which had been negotiated by North Yorkshire County Council (Data comparison completed after 2007/08 budget set)
- The Authority appealed against the decision of the Valuation Office in relation to the rateable value of Yoredale and this now resulted in a saving of £8,000 on rates (confirmed May 2007, with rebate for 2006)
- A competitive tendering exercise for Insurance resulted in a £15,000 reduction in insurance costs (August 2007), comprising £9k 'annual costs' plus a one-off £6k discount for entering into a three-year contract.

Setting targets and reporting further savings

11. The savings listed above all relate to spending on 'corporate' overhead budgets, which are managed centrally. In 2007/08, these budgets amounted to £711k out of a total budget spend (excluding salaries) of £3,424k, i.e. approximately 18% of spending. The remaining ~£3.5m is spent in line with Financial Regulations too, and contract and tendering exercises are undertaken as required, but there are still likely to be some savings opportunities, both cashable and non-cashable, which can be achieved either by seeking better value through collecting similar types of purchase into contracts, or - particularly for non-cashable savings - by other adjustments to working practises.

12. In terms of cashable savings, it is proposed that the target be pre-set at the budget stage. For 2007/08, this level of saving has already been assumed within a budget that, for corporate overheads at least, is no greater than that of the previous year: so the budget has absorbed the impact of the previous year's inflation, effectively a cash saving of between 2% and 3%. For 2008/09, it is proposed that a budget be set that again keeps corporate overheads at the same level as 2007/08, so again, inflation will have been absorbed, and the real value of the spending will have fallen; this will be made possible in part by some of the savings listed earlier in this paper.

13. However, there is a limit on the ability of any local government organisation to absorb decreases in cash value on its corporate overheads, before the ability to operate effectively is compromised. This issue will be revisited when setting the 2009/10 budget.

14. Outside the area of corporate overheads, it is difficult to set targets since the exploratory work to identify areas where savings may be possible will follow from this paper. Nevertheless, assuming a 'nil' settlement from Defra will necessitate the absorption of inflation within planned budgets.

15. In non-cashable terms, there are also efficiency savings to be made that should release resources to improve delivery, one such example being a reduced level of sick-leave across the Authority: a separate paper on this matter will be brought to this committee in February 2008.

Areas with potential for further savings

16. There are a number of other areas where further savings may be possible, and these are listed in the **Appendix**. Many of the items listed have been identified by searching across the many delegated budgets, to identify items with a common type (such as advertising), where it may be possible to collect together proposed spending and undertake procurement exercises to obtain better value: at present, a year's 'buying' simply happens as a number of small, unrelated transactions, initiated by different budget managers at different times.

17. The Appendix also identifies other areas where non-cashable savings may be possible, and identifies other work currently underway to look at these and other areas of potential.

RECOMMENDATION

18. Members are requested to note the contents of the report.

Irene Brannon
Senior Finance Officer

19 November 2007

Background documents: None

APPENDIX

| Account | Specific area | Amount spent 06/07 (£'000) | Proposed actions | Target date |
|-----------------------------------|--|----------------------------|---|-------------|
| Potential cashable savings | | | | |
| Water | Toilets + centres etc | 11 | Use of 'grey water' in toilet refurbishments | |
| | DCM | 6 | Usage reduction methods | |
| | Yoredale | 1.5 | As above | |
| | Colvend | 1 | As above | |
| | Total | 19.5 | | March 2009 |
| Catering & Hospitality | General | 8.5 | | |
| | Volunteers | 3.5 | | |
| | Staff meeting | 2 | | |
| | Members | 5 | | |
| | Milk | 2 | | |
| | Tea/Coffee | 2 | | |
| | Water | .5 | | |
| | Total | 23.5 | Review how much of this is really necessary | June 2008 |
| Cleaning Incl Materials | Contracts and materials across premises (including public toilets) | 90 | Several different suppliers; potential to use one supplier with agreed rates. | March 2009 |
| Materials | Workshops | 10.5 | | March 2009 |
| Other Contractors | | 57 | | |
| | Total Suppliers listed above are those with multiple invoices. | 157.5 | Tender an estimated amount. Use 'local' contractors to reduce callout time. Small orders/ large quantity - agree contract discount on all items bought. Discounts currently <i>ad hoc</i> . | |
| Recruitment | Job Adverts | 8 | Develop on-line potential, possible use of NYCC jobs gazetteer. | March 2008 |
| | Total | 8 | | |
| Stationery | Total | 11 | 27 suppliers used. Potential to centralise administration to obtain contract discounts | March 2008 |
| Printing | Communications | 16 | | |
| | Cycle Project | 9 | | |
| | Local Plan | 14.5 | | |
| | Members | 12.5 | | |
| | Other | 27 | | |
| | Total Main component classes of spending listed above. | 79 | Consolidate spend and tender on that basis for the whole or smaller components. Review publications versus website position. Better use of existing vehicles. | |

| Account | Specific area | Amount spent 06/07 (£'000) | Proposed actions | Target date |
|--|--------------------------------------|----------------------------|---|-------------|
| | | | Sponsorship? | |
| Photocopying | Xerox | 16.5 | Separate contracts - join into one. | |
| | Other | 2.5 | | |
| | Total | 19 | Corporate contract for photocopiers (at moment, have separate ones); Rationalising number of printers and printing to photocopiers (internal printing costs also include part of 'stationary' budget, electricity and IT equipment costs) | |
| Advertising | Definitive Map | 12 | | |
| | Planning | 16 | | |
| | DCM | 5.5 | | |
| | Other | 7 | | |
| | Total | 40.5 | Rationalise approach to advertising (including statutory notices); consider tendering for an inclusive contract, consider alternative methods of publication | |
| Postage | Total | 25 | Review split of first and second class | |
| Energy Efficiency | Total | 58 | Manage Energy Contracts; Joined NYCC Contract. To keep under review. | March 2008 |
| Named suppliers | Pearsons (186 invoices) | 55 | Consider contracts for these supplies | |
| | H Clarke (109 invoices) | 34 | As above | |
| | Room for Design (30 invoices) | 38.5 | As above | |
| | Headland Design Assoc. (10 invoices) | 37 | As above | |
| | Blue Design (3 invoices) | 18.5 | As above | |
| Potential areas for unspecified and non-cashable savings | | | | |
| Improved productivity through managing sickness | | | Incentives for good sick records Calling in sick to a 3 rd Party | Dec 2007 |
| E-Learning | | | Consider using NYCC's electronic learning package where possible | March 2008 |
| IT Licence costs | | | Review necessity of current coverage (are all licenses necessary / used?) | Dec 2007 |
| Other areas where a separate review is underway | | | | |
| Sustainable | | | Examine potential for cheaper energy generation; | March |

| Account | Specific area | Amount spent 06/07 (£'000) | Proposed actions | Target date |
|-------------------------------|----------------------|-----------------------------------|--|--------------------|
| Energy Efficiency | | | part of sustainability / carbon emissions review | 2008 |
| Telephone/ Video Conferencing | | | Potential to reduce travel time and expenses; part of sustainability / carbon emissions review | March 2008 |
| Offsite working | | | Consideration of more extensive home working; part of sustainability / carbon emissions review | March 2008 |
| Travel Expenses | | | Subject to separate working group | March 2008 |
| Vehicle Fleet | | | Area under review (may link to Expenses Review working group) | March 2008 |