

MODEL ANNUAL EFFICIENCY STATEMENT

- 1.1 The following represents some model entries for the Annual Efficiency Statement (AES). We plan to include a fuller 'Model AES' for inclusion in the guidance to be published in May, but the basic principles will be the same as set out in this chapter.
- 1.2 The content of these entries reflects what would be expected from the Actions Undertaken section of a Backward Look AES, but the principles in terms of the level of detail and aspects that should be included are the same for the Actions sections of the Forward Look and Mid-Year Update statements. In short, the description of activities should set out:
 - Some basic information about the activity undertaken;
 - What the result of the action was;
 - The value of the efficiency gain that resulted; and
 - An indication as to whether the gain is cashable or non-cashable and ongoing or one-off.
- 1.3 This information should be set out in a way that demonstrates the action taken is eligible as an efficiency gain and the measurement has been undertaken in accordance with the rules set out in this guidance. In addition, supporting information should be referenced where appropriate so that it can be reviewed during the scrutiny process if required.
- 1.4 The entries should be written in a style that would be understandable to the average lay reader; they will be published and available for review by the general public. Everyday acronyms that will be understood by most people may be used to keep the number of characters used to a minimum, but any sector-specific or locally-used acronyms should be spelt out in full the first time they are used (and their meaning described where necessary).
- 1.5 Guidance on the information that should be included in the Quality Crosscheck section of a Backward Look AES is included in Chapter 6, but an example entry is also shown in this chapter for ease of reference.

Activities Undertaken

Culture and sport

1. The Barbarian Arts Centre secured financial improvements by generating additional income and reducing costs at the Centre, amounting to cashable benefits of £450k, which are anticipated to increase in the following financial years. (Barbarian Centre management information and statistics)
2. The number of Service Assistants at the Gill Hall Library was reduced and the budget transferred to the Town Clerk for service improvements. The part-year cashable gain was £35k. (City Libraries management information)
3. There were gains at the Gill Hall Art Gallery in relation to security, temporary employee and insurance costs amounting to cashable gains of £100k that was used to fund other service improvements at the Art Gallery. (City Libraries management information)
4. Encouraging greater usage of the Platinum Lane Leisure Centre facilities has produced additional income for the Centre of £25k based on a comparison of actual 2004-05 income with that for 2003-04, as demonstrated in the financial statements for the Centre.

Local transport (Highways)

1. Withstanding inflation at the HMT approved ROADCON Index deflator, which is assumed for this example to be of 4.5%. The revenue budget is £10m for highway works. Service levels have remained the same whilst absorbing inflation. Therefore, the cashable efficiency gain is 4.5% of £10m: £450,000.
2. Efficiency gains on street lighting contract through improved item costs in a new contract. A comparison is made using the 2004-05 costs on the new contract and the correctly inflated prices/rates for same 2004-05 service using the previous contract rates resulting in cashable gains of £82,000.
3. Improved procurement practices have led to gains in the length of roads being gritted as part of winter service arrangements. The length of roads covered by has increased by 171% (from 17% to 29% of the total network) for a cost increase of 5%, resulting in non-cashable gains of £400,000.
4. Cashable efficiency gains have been achieved through reduced energy costs for street lighting. The street lighting contract has achieved gains of 37% compared with the current market price: gain is £90,000.

Supporting People

1. We made £10,000 of cashable gains by identifying the relatively high costs of services in certain client group areas and performed service reviews on this group as a priority. Following the reviews we negotiated new contract prices that provide the same number of units for a lower price. We calculated the efficiency gain by working out the difference between the new and the old contract prices; the old contract price was £100,000, the new contract price was £90,000, so the gain was £10,000.
2. We made £1,100 of non-cashable gains by negotiating nil or minimal price increases with providers while ensuring the level of service and quality remained the same. We calculated this by working out the amount of the price increase, and deducted it from what the GDP annual increase in inflation would have cost. The GDP inflation rate was 2.2%, the old contract price was £100,000 and we provided a 1% increase. Thus, the gain was 1.2 divided by 100 multiplied by £100,000, i.e. a £1,100 gain.
3. Following a floating support open tender we awarded a contract that provided an increased number of service units for a lower price compared to our previous floating support contract. This resulted in cashable and non-cashable gains. We calculated the cashable gain by working out the difference between the new and the old contract price. For example, the old contract price was £100,000 for 10 units, and the new contract price was £90,000 for 13 units, so the cashable gain was £10,000.

We calculated the non-cashable gain by working out what the additional number of units

would have cost under the old contract. For example, the old contract price was £100,000 for 10 units (£10,000 divided by 10), i.e. £10,000 per unit, so the additional number of units would have cost £30,000 (£10,000 multiplied by 3), so the non-cashable gain was £30,000.

Productive time

We ran an ITC Operational Excellence Fortnight that involved 2 hours of training for all staff on best office practices for email, voicemail, document handling, and other effective communication and meetings rules to support the mix of office dependent and some home working that had been evolving to different extents in parts of the authority.

The business case for the investment was based on an estimated average annual gain of 1hr a week across a workforce of 600 (the annual equivalent of £385k in basic salary costs). After 6 months however, the average actual gain from reducing meetings and associated travelling time; smaller email inboxes and better sharing of structured group (information) drives etc was estimated for a third of staff as the equivalent to half a day a week. For the remainder, freed potentially productive time was assessed at an average 1 hour a week.

Using basic salary costs the extra potentially available productive time is the annual equivalent of £768k. Deducting £60k for salary costs to effect the improvement, an outlay of £22k for PDAs and £16k for training, we will be reporting an annual non-cashable efficiency gain which can be quantified at £670k (4% of our total authority annual salary bill).

Quality Crosscheck

LA social housing (Non-capital)			
Quality Crosscheck chosen	2004/5	2005/6	Crosscheck met?
6. Non-approved quality crosscheck	0	1	Yes
That service quality has improved is demonstrated by the improvement in the annual survey of tenants' satisfaction with the overall level of service. In 2004-05 the score was 70%; in 2005-06 it was 80%. (Annual Survey of Lanchester Tenants, 2004-05 and 2005-06)			