

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet

9 March 2006

AUTHOR/S: Chief Executive

PROGRESS TOWARDS GERSHON EFFICIENCY SAVINGS TARGETS

Purpose

1. This report sets out the good progress being made in implementing planned efficiencies in 2005/06 and identifying additional efficiencies in 2006/07 and 2007/08.

Effect on Corporate Objectives

2.

Quality Services	Efficiency savings are particularly relevant to the objective of 'high quality, value-for-money, accessible services'. By focussing attention on producing more outputs with the same inputs or the same outputs for less inputs, the Gershon requirements also affect the other three objectives.
Village Life	
Sustainability	
Partnership	

Background

3. Following recommendations by Sir Peter Gershon on the scope for rationalising public sector spending, the Government requires councils from 2005/06 to deliver efficiencies worth 2.5% of their 2004/05 budgets each year for the next three years without reducing service performance. For SCDC, this equates to around £513,000 of new, continuing savings annually. This means that, cumulatively, the Council has to identify efficiencies worth £1.03 million in 2006/07 and £1.54 million in 2007/08. At least half the efficiencies identified must result in financial ('cashable') savings.
4. Last April, the Council identified £514,000 of planned efficiency savings in 2005/06. This was reported to the Cabinet last May 2005. The Annual Efficiency Statements (AES) that the Council has had to produce so far (Forward Look for 2005/06 and Backward Look for 2004/05) were sent to all Members last June.

Update

5. The Government capped SCDC's budget by almost a fifth last July. As part of the major savings exercise that followed, the Council worked hard to identify further efficiencies opportunities in order to minimise the need to make service cuts. These were highlighted in the reports received by the Cabinet and Council in October 2005.
6. Although the impact of capping inevitably diverted attention, the focus on implementing and monitoring planned efficiencies has resumed in recent months. Brief updates were made to the Resources & Staffing Portfolio-holder's meetings in November 2005 and January 2006, and this was followed by a more detailed report last month.
7. Table 1, overleaf, summarises the progress being made in delivering efficiencies and identifying new ones for 2006–2008. These projections show that the Council is likely to meet or exceed official targets both for overall efficiencies and cashable savings.

Table 1: Revised estimates of current progress and future plans

Year	2004/05	2005/06	2006/07	2007/08
Official target	£0k	£513k	+ £513k	+ £513k
Planned efficiencies	£345k	£514k	-	-
Progress towards efficiency plans	£345k	£400k	-	-
Extra efficiencies identified	-	+ £200k	> £550k	> £600k

Table 2: Main efficiency savings in 2004 - 2008

Year	Efficiencies	Approx. value
2004/05	Fortnightly refuse/ recycling	£215k
	Changes to Environmental Health management	£ 70k
2005/06	Increased DLO productivity	£225k
	Increased waste collection productivity	£110k
	Changes to Housing management	£100k
2006/07	ICT service brought back in-house	£280k
	Further increased DLO productivity	£185k
2007/08	Transformation Project: process improvement	£270k
	Transformation Project: senior management structure	£105k
	Sheltered housing restructuring	£270k

8. The Council can now project higher efficiency savings for the current year than were identified in the 2005/06 Forward Look last April.
 - a) This now takes account of £345,000 savings from 2004/05, set out in the 2004/05 Backward Look last June. Delayed official guidance, finally produced by the Government in May 2005, appears to allow the Council to count these efficiencies towards the 2005/06 target, provided that they continue for each of the next three years without a reduction in relevant service performance;
 - b) It also takes account of an additional £200,000 of efficiencies in 2005/06 that were identified through last autumn's post-capping budget reductions exercise.

9. Of the £514,000 of planned efficiency savings identified in the 2005/06 Forward Look, £400,000 are likely to be delivered.
 - a) Around £100,000 of planned savings have currently been taken out of the equation as they might now be seen to duplicate efficiencies claimed for 2004/05.
 - b) As a result of capping, SCDC has made less use of 'call-down' framework contracts (eg, for temporary staff, advertising and printing) than originally anticipated, and hence can claim fewer efficiency savings from them.
 - c) The Direct Labour Organisation is exceeding the original efficiency savings estimate (£150,000) that was featured in the 2005/06 Forward Look.

10. The actual scale of efficiencies in 2005/06 will not be known until June 2006. Some variations to the estimates in this Cabinet report are possible, perhaps including some additional savings (eg, officers are exploring whether increased productivity through expected reductions in working days lost through staff sickness could be included).
11. Whilst SCDC seems on track to meet the official targets up to 2008, the projections in Table 1 about the full potential savings need to be viewed with some caution.
 - a) Savings only count as efficiencies if service performance is not (significantly) adversely affected over the three years. The full implications of the post-capping budget reductions on SCDC's capacity to deliver efficiencies remain to be seen.
 - b) Resource constraints, post-capping, might mean that it takes longer than expected to deliver some planned efficiencies. This is before any 'what-ifs' of additional new demands on the Council are taken into account (eg, a new local government review or an outbreak of avian flu in this country).
 - c) Some of the official guidance on what may or may not be counted as an efficiency saving is ambiguous, not least in relation to efficiencies in 2004/05. The complex instructions on how a 'deflator' is to be applied, in order to compare efficiencies made in 2005/06 – 2007/08 with the 2004/05 baseline, may also have an effect on the extent of Gershon savings that can actually be claimed.
 - d) The official instructions that the external auditors will need to apply when auditing the Council's delivery of Gershon savings are still not clear. It could be difficult to demonstrate the financial and performance implications of some efficiencies without the creating extra bureaucracy, which would be counter-productive.
12. Officers have liaised with the external auditors throughout the year, in an attempt to clarify some of the on-going uncertainties over the official guidance, and have received constructive advice and encouragement for SCDC's current approach.
 - a) If the Council exceeds the official Gershon target of £513,000 for on-going efficiencies made in 2005/06, the external auditors are likely to agree that this excess could be counted towards the targets for 2006/07 and 2007/08.
 - b) To avoid time-consuming monitoring of small-scale savings, the Portfolio-holder for Resources and Staffing has followed the auditor's advice in deciding against detailed checks of planned efficiencies worth under £25,000.

Next steps

13. Preparations are being made for producing the Council's detailed 2006/07 Forward Look that needs to be submitted by early to mid-April. The 2005/06 Backward Look is due in mid-June. In view of increased workload pressures following council tax capping, the Cabinet is asked to repeat the decision that it made last year and delegate authority for finalising both AES documents to the Chief Executive in consultation with the Leader and the Resources and Staffing Portfolio-holder. The finalised statements will, again, be copied to all Members.

Implications

14. **Financial implications:** In view of the issues raised in paragraph 11 above, the approach of looking for as many efficiencies as possible seems sensible. Any savings achieved above the levels already incorporated into the Medium-Term Financial Strategy (MTFS) could help to offset the costs of responding to unavoidable growth

and service demands arising from the 33% increase in the district's population in the next decade. It should also be remembered that, whilst efficiencies from the Housing Revenue Account count towards Gershon targets, they do not contribute to the savings needed for the MTFs, which relates to the General Fund.

15. **Risk management:** The implications of not meeting the official Gershon targets feature significantly on the Corporate Risk Register. The approach set out in this Cabinet report helps to minimise those risks.
16. **Legal implications:** Gershon savings are an official requirement, building on the principles of Best Value and the Local Government Act 1999. The extent to which the Council delivers planned efficiencies is taken into account in the Audit Commission's 'Use of Resources' assessment, which itself is likely to tie in with the Government's proposals for the next generation of comprehensive performance assessments.
17. **Staffing implications:** Issues relating to limited capacity, post-capping, are mentioned in paragraphs 11 and 13 above.

Conclusions

18. The good progress being made in realising efficiency savings reflects the Council's investment in new technology and other initiatives, the benefits of which are now coming to fruition. Making efficiencies - within an already lean organisation - has been a regular feature of the Council's way of working for many years. Even before council tax capping, (in 2004/05) four in five councils spent more than SCDC on services per resident. The efficiencies being made help to reduce the need for service cutbacks.

Recommendations

19. The Cabinet is asked to:
 - a) note the progress outlined in this report; and
 - b) delegate authority to the Chief Executive, with the Leader and Resources and Staffing Portfolio-holder, for finalising the Council's Annual Efficiency Statements (Forward Look for 2006/07 and Backward Look for 2005/06) [see paragraph 13].

Background Papers:

The following background papers were used in the preparation of this report:

- Report to Resources and Staffing Portfolio-holder, SCDC, 14 February 2006.
- Cabinet report on "Reductions proposed to meet Capping", SCDC, 13 October 2005.
- Annual Efficiency Statement: 2004/05 Backward Look, SCDC, June 2005.
- "Measuring Efficiency Gains", ODPM, 16 May 2005.
- Cabinet report on "Delivering Efficiency Savings: Update", SCDC, 12 May 2005.
- Annual Efficiency Statement: 2005/06 Forward Look, SCDC, April 2005.
- "Progress Delivering Efficiency "Delivering Efficiency in Local Services 2, further guidance for local authorities", HM Government, February 2005.

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