

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet 15 January 2009
AUTHOR/S: Chief Executive / Corporate Manager (Finance & Support Services)

EFFICIENCY SAVINGS PROJECT – UPDATE

Purpose

1. The purpose of this report is to provide Cabinet with an update on the Council's efficiency savings project.

Background

2. Following Sir Peter Gershon's recommendations on efficiency savings in the public sector, the Government required councils, from 2005/06, to make annual efficiency savings worth 2.5% of their 2004/05 budgets for each of the following three years. The Government set the Council a target of £1,245,000 efficiency savings over the three years (i.e. £415,000 in each year). The Council actually achieved £1,930,000 of efficiency savings, exceeding its target by £685,000. (Source: Backward Look Gains 2007-08, Department for Communities & Local Government)
3. Within the Comprehensive Spending Review 2007 (CSR07), all public services are expected to achieve at least 3% net cash-releasing value for money gains per annum over the period 2008/09 to 2010/11. The new National Indicators include an indicator based on ongoing cash-releasing value for money gains (NI179), although there is no mandatory efficiency target for each individual council. However, the Council's budget setting process and Medium Term Financial Strategy (MTFS) include an efficiency savings target to contribute towards a balanced budget.
4. Cabinet previously received a report on this subject in September 2008, which set out the external and internal drivers for delivering efficiencies. Cabinet agreed that the MTFS should include targets of 3% cashable efficiency savings in 2008/09 and 2% in both 2009/10 and 2010/11, as set out in the table below.

Area	2008/09 (3%) £'000	2009/10 (2%) <i>Cumulative</i> £'000	2010/11 (2%) <i>Cumulative</i> £'000
General Fund	369	612	916
HRA	287	476	713
Capital Programme	164	272	407
Totals	820	1,360	2,036

Considerations

5. The Efficiency Project Team meet on a monthly basis to consider and generate savings proposals, and monitor the delivery of the savings already proposed. The current savings identified against the efficiency savings targets are summarised in

the table below. Not all savings that can be claimed against national indicator NI179 will be deducted from budgets, owing (for example) to: (a) the energy tariff increase, which is less than allowed for in the budget, is offset by higher consumption; and (b) some of the savings obtained by not replacing staff, have been used to fund other posts and costs. However, the shortfalls identified on the General Fund and HRA will be partly offset by income generation and other savings, which may not count towards savings targets:

Area	2008/09 (3%) £'000	2009/10 (2%) <i>Cumulative</i> £'000	2010/11 (2%) <i>Cumulative</i> £'000
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General Fund Target	369	612	916
NI179 Savings proposed	244	332	430
less: savings not deductible from budgets	(19)	(45)	(48)
Surplus / (Shortfall)	(144)	(325)	(534)
Income generation and other savings	44	77	79
General Fund funding gap	(100)	(248)	(455)

HRA Target	287	476	713
NI179 Savings proposed	145	312	471
less: savings not deductible from budgets	(39)	(44)	0
Surplus / (Shortfall)	(181)	(208)	(242)
Income generation	10	21	21
HRA target gap	(171)	(187)	(221)

Capital Programme Target	164	272	407
NI179 Savings proposed	507	744	868
Capital Programme Surplus / (Shortfall)	343	472	461

Overall Target	820	1,360	2,036
Overall NI179 Savings Proposed	896	1,388	1,769
less: savings not deductible from budgets	(58)	(89)	(48)
Overall Surplus / (Shortfall)	18	(61)	(315)
Income generation and other savings	54	98	100
Overall Surplus / (Funding gap)	72	37	(215)

6. Most of the savings identified are of small amounts against individual budgets and it is becoming increasingly difficult to find efficiencies and savings of the levels required to bridge the General Fund funding gap.
7. The table shows a considerable shortfall over the three year programme at this point in time and, more importantly, that by 2010/11 there would be an annual demand on the General Fund of £455,000 if further savings, income generation, etc are not identified.
8. There would be a reduction on the General Fund balance of £803,000 over this period (2008/09 + 2009/10 + 2010/11 funding gaps = £100,000 + £248,000 + £455,000 = £803,000). Over the lifetime of the MTFs to 2013/14 there would be a further reduction of £1,365,000 (3 x £455,000), making a total reduction of £2,168,000 (£803,000 + £1,365,000).

9. The £100,000 funding gap on General Fund for 2008/09 has been included as a reported overspend in financial position reports to Cabinet and the Finance Portfolio Holder over the last few months. These reports have also set out that the efficiency project team has been meeting monthly and proposing actions to reduce the gap.
10. The Overall Surplus / (Funding gap) figures in the above table show slight changes from those included in the previous report to Cabinet in September 2008 (2008/09, £77,000 Surplus; 2009/10, £40,000 Surplus; 2010/11, (£261,000) Funding gap), mainly due to taking savings not deductible from budgets into account, ongoing review and revision of proposals and identification and inclusion of some new small areas of savings.
11. To further reduce the gap, the following actions are being taken:
 - (a) A review of vacant posts across the authority, to identify any posts that are no longer required and that can be removed from the establishment list. So far this review has identified a saving of £20,000, which has been included in the table above.
 - (b) RSM Bentley Jennison, the Council's internal auditors, were commissioned to conduct a high level review of the Council, to ascertain if further savings could be identified. A special meeting of Executive Management Team (EMT) has been convened on 12 January 2009 to consider their proposals and agree the way forward.
12. These proposals, if agreed and delivered, should substantially contribute to reducing the shortfall.

Implications

13.	Financial	Non achievement of the savings will result in an overspend for the Council and greater reliance on using existing balances and a further review of the MTFS.
	Legal	None
	Staffing	None
	Risk Management	This is included in the strategic risk register and monitored as part of the risk management process.
	Equal Opportunities	None

Consultations

14. Consultations have taken place with corporate and service managers and their staff to put forward proposals.

Effect on Annual Priorities and Corporate Objectives

15.	Work in partnership to manage growth to benefit everyone in South Cambridgeshire now and in the future
	Deliver high quality services that represent best value and are accessible to all our community
	Enhance quality of life and build a sustainable South Cambridgeshire where everyone is proud to live and work
	The achievement of efficiency savings contributes towards obtaining best value for money in the delivery of high quality services.

Conclusions/Summary

