

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

REPORT TO: Leader and Cabinet

10th February 2005

AUTHOR: Chief Executive

DELIVERING EFFICIENCY SAVINGS - DEVELOPING OUR APPROACH

Purpose

1. This report provides an update on the latest official guidance on Delivering Efficiency in Local Services, highlights the considerable implications for the Council's services, and outlines the corporate approach being developed to meet this new challenge.

Links to Corporate Objectives

2.	<i>Corporate objectives:</i>	Principally "High quality, accessible, value for money services", but it has implications for the delivery of all four objectives.
	<i>Council priorities:</i>	All three priorities for 2005-8, which will need to draw on resource savings reallocated from other Council services.
	<i>Strategies & policies:</i>	Medium-Term Financial Strategy. In future, all our strategies will need to address how the services in question will contribute to realising efficiency savings.
	<i>Corporate Governance:</i>	Current CPA Improvement Plan and future CPA inspections; Risk Register (currently identified as 'critical impact/low likelihood'); Procurement Strategies for Goods/Services & Service Delivery; IEG (Implementing Electronic Government) Statement; Workforce Plan (being developed).

Background

3. In August 2003, the Government asked Sir Peter Gershon to review public sector efficiency. His report identified auditable and transparent efficiency gains across the public sector of over £20 billion by 2007/08. The Chancellor of the Exchequer's 2004 Spending Review translated this into a target for local government as a whole to make efficiency savings of at least £6.45 billion by 2007/08.
4. The Office of the Deputy Prime Minister (ODPM) produced initial guidance on the efficiency savings (or 'Gershon') requirements last November. Further guidance was promised in December, but this did not materialise until 28 January. Whilst we are still digesting the details of these new instructions (90 pages), here are the main points.
 - (a) Every local authority is expected to meet 2.5% efficiency savings per annum for the next three years, compared to their 2004/05 baseline. Cuts in levels of service and performance will not count towards this target.
 - (b) The scope for efficiency gains has been identified in two different ways. They are expected to take the form of:
 - reduced inputs (money, people, assets, etc) for same outputs;
 - reduced prices (procurement, labour costs, etc) for same outputs;
 - additional outputs/improved quality for same inputs;
 - improved ratios of cost / output (unit costs, etc).

- (c) Efficiencies are expected through:
- procurement;
 - rationalising corporate services;
 - transactions (ie, streamlining processes via ICT and e-government - where the ODPM believes there is considerable potential for efficiency gains);
 - increasing the productivity of front-line staff; AND
 - in particular services, including Cultural & Leisure Services, Social Housing, Environmental Services (eg, refuse collection, recycling and street cleansing).
- (d) At least half of the efficiency savings made should be 'cashable' - this means that they release funding for use elsewhere, either for reinvestment in frontline services or holding down Council Tax. The other half can be 'non-cashable' savings – leading to improved performance for the resources used, rather than lower costs.

5. Local authorities will report the gains that they have made through an Annual Efficiency Statement (AES).
- The statement will include a forward-looking part (2-3 pages) where authorities will outline their expected efficiency gains and the strategy for achieving them. On 28 January, it was announced that, for 2005/06, this will be required by 15 April 2005.
 - There is also a backward-looking part, to report the efficiency gains achieved in the previous year. In the first year, this has to be produced by 15 June 2005. Efficiency Savings achieved in 2004/05 can count against our 2005/06 target, provided that there is a clear audit trail and the efficiency gains continue.
6. Councils are required to self-assess the efficiency gains they have achieved in the previous year. There are three stages to the process – initial analyses, end-of-year reporting, and review by auditor.

Commentary

7. These new requirements are a major issue for this Council, and for all our services. This is a further 'turn of the screw' on the delivery of the Government's efficiency and improvement agenda. The target for 2.5% savings per year, rather than 7.5% over three years, is arbitrary. The efficiency savings regime supplements continuing Comprehensive Performance Assessment and Best Value requirements: the next generation of CPA inspections will place greater emphasis on the realisation of planned efficiency savings, and the Council still has to produce an annual Performance Plan by the end of June.
8. Commentators expect that the Gershon requirements will be more difficult for smaller district councils in a two-tier system than for counties/unitary authorities, since districts have less staffing capacity available, and less potential for achieving economies of scale on their own. Over the next few years, we can expect to see:
- services reconfigured;
 - processes and organisational structures streamlined;
 - some services outsourced or provided jointly with other councils/partners;
 - other services delivered by this Council on behalf of other councils/public bodies);

- reductions in staffing.

9. In terms of response to these new requirements, some issues are already clear.

(a) ***We will need to identify more than just 2.5% efficiency savings per year.***

- Savings made will not count if performance is judged to have dropped (and new initiatives do have a tendency to suffer initial teething troubles).
- We will need to offset the extra costs and workload pressures that are likely to be incurred both through investing in initiatives that will reap savings in future and in meeting new service pressures in the M11 corridor growth area.

(b) ***We need to be strategic and to start moving forward now.***

- The deadline for the forward-looking part of our first AES is 8 weeks away. In fact, preparation time ahead of the decision-making process gives us just a few weeks.
- To achieve savings in Years 2 and 3, we need to plan them in Year 1 (2005/06).
- Whilst there are some hopes that implementing a 'Front Office-Back Office' approach would help to meet the Gershon targets - and, indeed, the needs of the Council's own Medium Term Financial Strategy - it would be dangerous to 'put all our eggs in one basket'. We still need to consider other options for efficiency savings and re-prioritising services.

(c) ***We need to recognise the importance of, and effect on, partnership working.***

- We will need to co-operate closely with the other Cambridgeshire district councils and the County Council in developing our response to Gershon and in identifying more efficient joint service delivery opportunities. At the same time, Gershon adds a competitive edge: some authorities may put forward proposals to take over the delivery of a number of services that we currently provide.
- As Gershon applies to all public sector bodies, we need to be aware that "one man's efficiencies can be another man's cutbacks". We will have to make sure that efficiency proposals from our external partners do not have a negative impact on our ability to provide services (and vice versa).

(d) ***We need to make sure that our service planning and target-setting is realistic.***

- The Council must avoid trying to get 'blood out of a stone' in future budget rounds. The organisation is already too lean in some areas. Paring budgets is not the same as making efficiencies and could, perversely, reduce productivity.
- We must resist the temptation of taking on additional workloads during the course of the year unless we can identify, in turn, what else we will scale back/stop doing.

(e) ***We need to make sure that our practical approach to performance monitoring and management is robust and effective.***

- Efficiency savings will not count towards the Gershon targets unless we can demonstrate a clear and accurate audit trail that these have not adversely affected services. The external auditor almost gave a qualified judgement on our 2003/04 BVPIs due to inaccuracies in the calculation of a number of indicators.
- We need to make sure that the organisation is taking timely and appropriate management action throughout the year to get struggling PI performance back on track. Like most councils, we still have examples of indicators that are off target and with declining performance, which are not being effectively addressed.

Next steps

10. Our initial task is to meet the first deadline of producing the forward-looking Annual Efficiency Statement by 15 April. With this in mind, there will be a further report to the Cabinet on 10 March and full Council on 24 March. Preparations are being co-ordinated by a new Corporate Officer Working Group, and further development and implementation work will continue after the first AES has been finalised. This Group is chaired by the Head of Policy & Communications and involves managers from all four departments, including lead officers for business systems analysis, finance, human resources, ICT, procurement and performance management. The Group's work is focused on five main actions.

(a) ***We are establishing the scope for efficiency savings by:***

- going through the latest guidance to make sure we understand the requirements, and the specific level of savings target that we will need to achieve in 2005/06;
- identifying which savings already put forward in the proposed 2005/06 budget could contribute towards the first 2.5% efficiency savings target;
- producing up-to-date unit costs for our services, which we can then analyse with benchmarking data from other councils (where like-with-like comparisons exist);
- assessing our services in terms of their relative importance/relevance to Council aims and their relative value-for-money, based on service performance and cost;
- seeking to quantify the scale of potential efficiency savings (via procurement, ICT, rationalising corporate services and increasing staff productive time) and establishing the lead-in time required to realise such savings.

(b) ***We are developing links with partner organisations about efficiency savings.***

- The ODPM last month set up Regional Centres of Excellence (RCE) to provide advice and financial support in order to help local authorities to identify and implement efficiency savings. The RCE for the Eastern region is hosted by Norfolk County Council. The Head of Policy and

Communications attended an initial workshop for councils, run by our RCE, on 1 February. Whilst the month-old RCE will be able to help us later this year, once it has become more fully established, it is unlikely to be able to give us much help in developing our first Annual Efficiency Statement.

- A liaison group for the lead managers on Gershon/Efficiency Savings from each of the Cambridgeshire district councils is being set up.
- Partners on the Local Strategic Partnership are being asked to liaise over their respective plans for making efficiency savings and to consider the practical implications for the delivery of Community Strategy actions.

(c) ***We will be integrating our plans for the Annual Efficiency Statement into the Council's other plans and implementation work, including:***

- the Medium Term Financial Strategy;
- our CPA Improvement Plan; and
- the 2005/06 Service Plans and Performance Plan.

(d) ***Alongside the development of the Annual Efficiency Statement, we will put in place arrangements for implementing efficiency savings.***

- We will strengthen performance monitoring and management arrangements, both for checking key service performance indicators and AES milestones. There will be important roles here for both the Cabinet and the Scrutiny & Overview Committee.

(e) ***We will run staff briefing sessions on the Gershon requirements and our progress from this month onwards.***

- Clearly, our staff will have concerns about the uncertainties ahead. It is important that we are honest with them about the challenges, whilst also enabling them to play a positive and active part in fulfilling the official targets and continuing to focus on providing the best possible services.

Conclusion

11. In conclusion, there is no question that the Gershon requirements are going to be a difficult challenge for this Council. However, we need to remind ourselves that we have been here before. The introduction of Compulsory Competitive Tendering, Best Value and Comprehensive Performance Assessment were all met by similar harbingers of doom and pessimism for the future of local government. We have managed to meet all those requirements, so why not Gershon?
12. I suspect that we will all have our own views about the practicality and impact of the ODPM's new efficiency savings regime. Even so, it is vital that we take the Gershon requirements seriously from the outset and apply them sensibly and effectively. We need keep our focus on our objective of "high quality, accessible, value-for-money services" and our priority for "improved customer service".

Recommendations

13. The Cabinet is asked to note this report.

Background Papers:

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

- “Delivering Efficiency in Local Services”, ODPM, November 2004.
- “Efficiency Technical Note for Local Government”, ODPM, November 2004.
- “Delivering Efficiency in Local Services 2”, ODPM, 28 January 2005.

More information can be found on the internet at www.odpm.gov.uk - click on ‘local government’ then search for ‘efficiency’.

Contact Officer:

Tim Wetherfield – Head of Policy and Communication
Telephone: (01954) 713200