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## **Executive Member for Corporate Services and Advisory Panel**

Report of the Director of Resources

### **UPDATE ON GERSHON EFFICIENCY SAVINGS**

#### **Summary**

1. This report is for information only and gives an update on progress against the Gershon efficiency targets in the light of the final 2007/08 outturn.

#### **Background**

2. The Gershon efficiency agenda was a three-year national programme aimed at delivering a cumulative £6.45 billion of savings within local government by the end of 2007/08. These savings were, in theory, available for investment in front-line services although, in reality, they were needed to balance budgets and to try to minimise council tax increases. Each local authority was challenged to try to achieve 2.5% of savings per annum from a base-line figure set in 2004/05. The base-line excluded education expenditure which was subject to separate targets within the Department for Children, Schools and families (DCSF).
3. At least half of the annual efficiencies had to be cashable, i.e. there was a real monetary saving which could be re-directed elsewhere by the Council. The remainder could be non-cashable, i.e. savings did not arise because of lower costs but because of improved performance:- e.g. an improvement in the time taken to process new benefit claimants with no increase in costs. Savings had to be on-going for the whole three-year period of the programme. One-off savings were not allowable.
4. The Council's efficiency savings are reported to the Department of Communities and Local Government (DCLG) three times per year:-
  - a) a forward looking forecast for the coming year (April)
  - b) a mid-year update (November)
  - c) a backward looking out-turn report with actual savings made in-year (July)

#### **Consultation**

5. This section is not applicable.

## Options

6. This report is for information only and members are not asked to take a decision.

## Analysis

### Methodology

7. The approach for identifying efficiencies started with a review of the savings accepted as part of the annual budget. Each of these cashable savings was assessed against the criteria given by government to identify efficiencies and those which resulted in either a cut or deterioration in service were excluded. These savings were then circulated to the relevant council departments to ensure that they could be classified as efficiency savings. Further reviews took place mid-year and at year-end to confirm that all, or some, of the savings reported were achieved.
8. In addition to the cashable efficiencies identified above, improving performance indicators were used to identify non-cashable efficiencies, against which a monetary value could be calculated.
9. The final savings reported in the Backward Look had to be linked to Quality Cross Checks (Performance Indicators) to ensure that Council performance had not deteriorated because of the savings made. If a performance indicator linked to a saving deteriorated over the 3 year programme the saving had to be removed.
10. Each return to the DCLG had to be reviewed and approved by the Leader of the Council, the Chief Executive and the Director of Resources before submission.

### Final Outturn

11. 2007/08 was the final year of the 3 year Gershon programme. The table below details the final position.

<b>£000's</b>	<b>2005/06</b>	<b>2006/07</b>	<b>2007/08</b>	<b>Total</b>
<b>Cumulative Target</b>	<b>2,587</b>	<b>5,871</b>	<b>8,806</b>	<b>8,806</b>
Cashable	3,749	6,795	9,636	<b>9,636</b>
Non-Cashable	1,035	1,306	1,306	<b>1,306</b>
<b>Total Achieved</b>	<b>4,784</b>	<b>8,101</b>	<b>10,942</b>	<b>10,942</b>
<b>Over Achievement</b>	<b>2,197</b>	<b>2,230</b>	<b>2,136</b>	<b>2,136</b>

Note: In recognition of the fact that local authorities were already embracing efficiencies to balance budgets the government allowed 2004/05 efficiencies to count towards the 2005/06 target.

The Council has successfully achieved its 3 year target of £8.8m, with additional efficiencies of £2.136m being found. The final return has been submitted to DCLG and will be subject to a broad brush audit as part of the Audit Commission's value for money review.

12. DCLG has stated that any cashable efficiencies, over and above our 3 year target can be carried forward to meet the challenge of the national efficiency programme for the period 2008-09 – 2010/11, when councils have been challenged to find 3% net cashable efficiency gains per annum. York is therefore entitled to carry forward £830k towards its 2008/09 efficiency target of £4.2m.

### **The Efficiency Review Programme**

13. The Council is working towards a more formalised and structured way of managing the efficiency agenda. Council has approved the release of £1m from the General Reserve for an invest to save fund to pump prime efficiency projects. Also a procurement process is currently underway to appoint a private sector partner to work with the council and bring in additional capacity and skills to drive through efficiency savings. The procurement process is looking for potential suppliers who are prepared to take the risk of non delivery of the savings by paying back a proportion of their fees should the required level of savings not be made. The successful partner should start working on this agenda in January 2009. It is hoped that a managed programme will mean efficiencies and related cashable savings will significantly contribute to the annual budget savings target and maintain a good CPA score.

### **The current efficiency climate**

14. Senior Government officials and commentators are concerned that as the 'Gershon programme has come to an end there could be a lack of focus on achieving further efficiencies even though the target has become tougher. Recent comments from Sir Peter Gershon and the Audit Commission are included below.

***'There is still scope for significant efficiencies in the public sector. If we look at the gains, then they were about issues such as better procurement. But the gains from now on will be made through the re-engineering of business processes. And this is much harder.'***

***An Audit Commission report this week, Back to front, supported his comments by warning that further savings would require 'a strategic and long-term, transformational, back-to-front approach, delivered in a tight economic climate.'***

***It added that to make the savings so far, 'changes at senior level were necessary for some councils, to unblock obstacles to efficiency gains.'***

15. The council is taking positive steps to ensure that it continues to review its operations to ensure they are performing as efficiently as possible and will strive to meet the harder efficiency targets.

## Corporate Priorities

16. The Efficiency Agenda plays an important role in achieving the corporate priority of improving our organisational effectiveness, specifically
  - Improve our focus on the need of customers and residents in designing and providing services
  - Improve the way the Council and its partners work together to deliver better services for the people who live in York
  - Improve efficiency and reduce waste to free-up more resources.

The Director of Resources is the Council's efficiency champion and is leading on the approach required to ensure further efficiencies are delivered

## Implications

- **Financial**  
Failure to achieve the Gershon Efficiency Targets could have a detrimental effect on York's Comprehensive Performance Assessment for Use of Resources and on its budgetary position.
- **Human Resources (HR)**  
There are no implications
- **Equalities**  
There are no implications
- **Legal**  
There are no implications
- **Crime and Disorder**  
There are no implications
- **Information Technology (IT)**  
There are no implications
- **Property**  
There are no implications
- **Other**  
There are no implications

## Risk Management

17. Because this report is for information only, there are no risks attached to any decision to be made. There is a risk associated with the non-achievement of York's efficiency target, namely the potential for a detrimental score in the Council's CPA for Use of Resources. To avoid this it is essential that the

Council continues to pursue efficiencies and can clearly show how they are captured and measured.

## Recommendations

18. Members are asked to recommend that the Executive Member:-

- 1) Notes the progress against the Gershon efficiency targets and the steps being taken to ensure that the council achieves the harder targets.

Reason: For information

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### Chief Officer Responsible for the report:

Simon Wiles  
Director of Resources

Report Approved  Date *Insert Date*

Report Approved

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

### Background Papers:

None

### Annexes

None