
Meeting of the Executive Member for Corporate Services and Advisory Panel

11 September 2007

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: -
 - a) the 2006/07 out-turn (backward look)
 - b) the 2007/08 forecast (forward look)

Background

2. The Gershon efficiency agenda is 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 are, in theory, available for investment in front-line services although, in reality, they are needed to balance budgets and to try to minimise council tax increases. Each local authority has been challenged to try to achieve 2.5% of savings per annum from a base-line figure set in 2004/05. The base-line excludes education expenditure which is subject to separate targets within the DfES.
3. At least half of the annual efficiencies must be cashable, i.e. there is a real monetary saving which can be re-directed elsewhere by the Council. The remainder may be non-cashable, i.e. savings will 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 must be on-going for the whole three-year period of the programme. One-off savings are not allowable.
4. The Council's efficiency savings are reported to 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 current approach for identifying efficiencies starts with a review of the savings accepted as part of the annual budget. Each of these cashable savings is assessed against the criteria given by government to identify efficiencies and those which result in either a cut or deterioration in service are excluded. These savings are then circulated to the relevant council departments to ensure that they can be classified as efficiency savings. Further reviews take place mid-year and at year-end to confirm that all, or some, of the savings reported have been achieved.
8. In addition to the cashable efficiencies identified above, improving performance indicators are used to identify non-cashable efficiencies, against which a monetary value can be calculated.
9. The final savings reported in the Backward Look must be linked to Quality Cross Checks (Performance Indicators) to ensure that Council performance has not deteriorated because of the savings made. If a performance indicator linked to a saving deteriorates over the 3 year programme the saving must be removed.
10. Each return to the DCLG must be reviewed and approved by the Leader of the Council, the Chief Executive and the Director of Resources before submission.

Progress to date

11. The targets and outcomes for 2006/07 are shown below. The Council is not obliged to meet the annual target so long as the cumulative efficiencies achieved to date exceed the cumulative target at the end of that period.

	<u>2005/06</u>	<u>2006/07</u>	<u>2007/08</u>
Annual Target	2,587.0	3,284.0	2,935.0
Cumulative Target	2,587.0	5,871.0	8,806.0
2005/06 Backward Look	4,633.5	4,633.5	4,633.5
2006/07 Backward Look		3,212.1	3,212.1
2007/08 Forward Look			2,920.7
Cumulative Efficiencies Achieved	4,633.5	7,845.6	10,766.3
Over Target by	2,046.5	1,974.6	1,960.3

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 initial forecast for 2006/07 annual efficiencies was £970k above target. As discussed above, the starting point was the budget savings, for example:-

- zero inflation on cash budgets (£639k)
- restructure of children's residential care (£164k)
- relocation of Household Waste Recycling Centre (£55k)

However, because of deteriorating performance indicators, specifically in relation to non-cashable savings, certain efficiencies had to be removed. The main culprits were firstly the deterioration in sickness absence levels, which had shown an improvement in 2005/06. This resulted in a reduction of £381k in non-cashable efficiencies in 2006/07. It was also necessary to re-visit the 2005/06 non-cashable efficiency claimed due to improving attendance levels. This resulted in a further reduction of £305k to the cumulative efficiencies achieved to date. Secondly, an error in the original submission overstated efficiencies by £170k.

Cumulative progress towards the 3-year target

12. 2007/08 is the last year of the 3-year Gershon efficiency programme. The 2007/08 Forward Look (i.e. initial forecast) was submitted in April 2007. Because performance indicator information was not available at that time it contained only cashable savings identified during the 2007/08 budget process. Non-cashable savings will be added during the mid-year update and confirmed at the time of the 2007/08 Backward Look. Although the in-year cashable savings were marginally below the annual target the cumulative savings were well in advance of the 3 year target. It is anticipated that with the inclusion of non-cashable savings the annual target will also be exceeded.
13. Although the above table indicates that the 3 year cumulative target will be met there is a risk that deteriorating Quality Cross Checks (performance indicators) will result in the deletion of some efficiencies already claimed. The DCLG proforma provides a limited, and very specific, set of Quality Cross Checks, but allows councils to use "non-approved" indicators to prove their efficiencies. Where possible we use specific Best Value Performance Indicators (BVPI's), for example BVPI 79b : The amount of Housing Benefit (HB) overpayments recovered as a percentage of all HB overpayments, but the general nature of many of the cashable savings means that an overarching cross-check is used, i.e. there will be no deterioration in the relevant CPA score. As indicated in Para 11, certain efficiencies have already had to be removed because of deteriorating performance indicators.

The Efficiency Review Programme

14. The Council is working towards a more formalised and structured way of managing the efficiency agenda. The starting point was the capture of projects already underway, benchmarking exercises and dedicated meetings to identify

areas for review. This process identified an initial 36 possible projects. From this, a draft three to five year programme of efficiency reviews has been compiled and is due at Executive in September. It is hoped that a managed programme will mean efficiencies and related cashable savings will contribute to the annual budget savings target, maintain a good CPA score and also works towards any future efficiency targets.

15. The programme covers a number of different strands, for example:
- **procurement** – e.g. an approved protocol has been drafted for the commissioning of external legal services, which ensures value for money and ancillary benefits such as free training.
 - **enabling change** – e.g. the development and implementation of a model for post project review to measure quantifiable benefits and learning opportunities.
 - **high cost of services** – a collaborative transport project (with the Yorkshire Ambulance Service and East Riding of Yorkshire council) to reduce costs and increase efficiencies in the procurement and use of transport.

Comprehensive Spending Review (CSR07)

16. DCLG have published a draft document “Value for Money in Local Government” which details the national efficiency programme for the 3 year period of CSR07 (2008/09 – 2010/11). This sets the target for all public services of 3% net cashable efficiency gains per annum, which equates to a cumulative target of £4.9 billion for all local authorities. Efficiencies achieved above the 3-year target up to 2007/08 may be rolled forward and the Council is currently forecasting over-achievement of £1.9 million.
17. Reporting arrangements will be relaxed, with only two reports each financial year and no breakdown of gains by service sector or cross-cutting workstreams, i.e. the Council will report one single figure.

Corporate Priorities

18. The Gershon 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 Council's Corporate Strategy includes 13 priorities of which a key one is efficiency. The Director of Resources is the Council's efficiency champion and is developing an improvement statement in which the process and programme for achieving efficiency targets and greater staff awareness will feature prominently.

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

19. 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

20. Members are asked to recommend that the Executive Member:-
 - 1) Notes the progress against the Gershon efficiency targets
Reason: To inform the Executive Member.

Contact Details

Author:

Louise Dixon
Financial Analyst
Strategic Finance
Tel No. 551177

Chief Officer Responsible for the report:

Simon Wiles
Director of Resources

Report Approved **Date** 28 August 2007

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