

GERSHON EFFICIENCY SAVINGS – 2007/08

1 SUMMARY

- 1.1 The Council is required to submit a statement to Government on how it proposes to achieve the savings required under the Gershon Initiative. These savings are a mix of both cashable and non-cashable savings, which do not impact on the quality or level of service delivery.

2 INTRODUCTION

- 2.1 There are standard targets set for all Councils. The target is 7.5% of the baseline expenditure, to be achieved over 3 years up to 2007/08. The split of the target between cashable and non-cashable is 50:50.
- 2.2 Cashable savings are those which reduce expenditure or release resources to other services and can be achieved for example by reductions in expenditure or increases in costs that are below the Treasury's inflation rate. Non-cashable savings are achieved where there is an increase in output volumes and/or quality from the same resources.
- 2.3 Funding for local government over the 3 years from 2008/09 is currently being considered as part of the Comprehensive Spending Review 2007 (CSR07). It has been announced that this is likely to include a requirement for cashable efficiency savings of 3% per year.
- 2.4 For local authorities, the current 3 year target was £3bn by 2007/08 and was based on 2004/05 expenditure as the baseline. At a recent Local Government Association Finance conference, it was suggested by Department for Communities and Local Government that the CSR07 figure would be approximately £5bn by 2010/11. This implies a 67% increase in the target. In addition, the amount that is cashable is expected to be 100% of the total target, instead of the current 50% of total target.
- 2.5 Unlike the current arrangements for Gershon savings, where savings were available for reinvestment in front line services, it is now understood that this amount may be deducted from local authorities grant funding, so the savings will need to be genuine cash releasing savings, which do not affect service delivery in terms of quality and level.

3 2007/08 FORWARD EFFICIENCY STATEMENT

- 3.1 The Council is required to submit an Annual Efficiency Statement forecasting the efficiency savings for 2007/08 by 12 April 2007.
- 3.2 Our target for the 3 years is £703,000, of which at least £351,500 must be cashable. The Council has reported efficiency savings up to 2005/06 of £504,600, of which £252,000 were cashable.

- 3.3 For 2006/07, it is expected that we will achieve a further £165,000 of cashable savings through the financing of the Rayleigh Leisure Centre and an additional £20,000 in non-cashable savings through the continuing reduction in sickness levels.
- 3.4 This will mean that by the end of 2006/07, the Council will have achieved £417,000 in cashable savings and a total of £689,000, against our target of £703,000. To achieve our 3 year target, we need to identify a further £14,000 in efficiency savings. The Budget Strategy requires cashable savings of £150,000 for 2007/08. The total of savings identified below is £188,700 and this will mean that by the end of 2007/08 we should achieve a total of £877,700 in efficiency savings against the target of £703,000 over the 3 years.

Service	Savings
<p>Energy Efficiencies</p> <ul style="list-style-type: none"> - use of more energy efficient IT equipment and water heaters - energy contracts are being moved to the OGC Energy Contract which provides better prices. 	10,000 – Cashable
Business Rates service – partnership working with Chelmsford Borough Council on NNDR service will continue to reduce costs.	10,000 – Cashable
Fraud Manager – sharing resource with Chelmsford Borough Council	18,000– Cashable
New Finance IT System has lower annual costs than previous system and reduced processing time will release further non-cashable savings	14,700– Cashable
Recycling Service – The improvement in recycling rates and increased income from the sale of recyclable materials and recycling credits means that the cost of the service will be offset by an increase in income from the profit share agreement in the Council's recycling contract.	50,000– Cashable

Service	Savings
Managed Staff Vacancies – during the year the Authority expects to have some vacancies which it will not fill immediately but which will not have a detrimental effect on service delivery.	50,000– Cashable
Website – Following the launch of the new improved website, it is anticipated that the number of visits to the website will increase. The Government have provided figures which calculate the average cost to deal with an incoming telephone call is £2 per call whereas the comparable transaction cost for a website visit is 12p per visit. Although difficult to predict, the saving is based on a prudent estimate of the increase in website hits.	12,000 – Non-cashable
Essex on-Line partnership has generated a number of efficiency savings which will continue including:- <ul style="list-style-type: none"> - Use of shared network facilities for the links which allow the NNDR operation to be carried out in Chelmsford. - Integrated telephone service with Essex County Council which enables RDC to benefit from cheaper call costs. - Benefiting from the Research and Development activities carried out by the Essex On-Line Partnership 	10,000 - Cashable 14,000 – Non-Cashable
Total cashable savings	188,700

4 THE WAY FORWARD

- 4.1 During 2007/08, officers will be developing a Value for Money/Efficiency Strategy to prepare for the tougher requirements likely to be introduced for 2008/09 onwards. Officers will also be looking at improving the ways that we identify efficiency savings and also to demonstrate more clearly how we achieve value for money for residents.

5 RISK IMPLICATIONS

- 5.1 The Council has to comply with the Government requirements otherwise it will be used as evidence of poor management. There is a risk that if we do not manage our resources efficiently and effectively, we will not be able to demonstrate that we are achieving value for money. The Council needs to be prepared for any tightening of the efficiency requirements

6 RESOURCE IMPLICATIONS

- 6.1 Cashable savings should enable front line services to be improved through additional resource without increasing the overall expenditure of the Authority.

7 RECOMMENDATION

- 7.1 It is proposed that the Committee **RESOLVES**
- (1) to agree the above proposals being included in the Annual Efficiency Statement for 2007/08.
 - (2) that the Leader of the Council, the Chief Executive and Chief Finance Officer are delegated to agree any changes to the Statement and sign off the submission.

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Background Papers:-

None.

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