

BABERGH DISTRICT COUNCIL

FROM: Head of Finance

REPORT NUMBER **F120**

TO: STRATEGY COMMITTEE

DATE OF MEETING 16 November 2006

EFFICIENCIES UPDATE

1. **SUMMARY**

1.1 The Committee is updated on 'Gershon' efficiencies achieved to date and progress on achieving this year's 2.5% efficiency target is explained.

2. **RECOMMENDATIONS**

2.1 That achievements against the Gershon efficiencies target and progress on this year's estimated efficiencies, as detailed in the report, are noted.

2.2 That appropriate action is taken to ensure that the forecast efficiency savings of £0.5m for the current year are achieved and additional efficiencies identified wherever possible.

The Committee is able to resolve these matters.

3. **FINANCIAL IMPLICATIONS**

3.1 The Government's 2.5% per annum efficiency target equates to around £320,000 for each of the 3 years up to 2007/08 for Babergh - or nearly £1 million over the period. Total efficiencies of nearly £1.2m have already been reported in the council's Annual Efficiency Statement (AES) submissions to the Government for 2004/05 and 2005/06.

3.2 These include 'cashable' efficiencies totaling nearly £0.8m, with 'non-cashable' efficiencies of £0.4m. The latter do not directly result in cash savings that impact on the total budget.

3.3 A review of progress on the estimated efficiencies of £0.5m included in the council's 2006/07 Forward Look Efficiency Statement suggests that this additional level of efficiency savings should be largely achieved.

3.4 When combined with the efficiencies in the last 2 years, the cumulative efficiencies reported will amount to almost £1.7m, which will significantly exceed the Government's requirement over the 3 years up to 2007/08.

3.5 Although this means that the council is more than meeting the 'Gershon' targets, the additional efficiencies are clearly very important and helpful in delivering annual budgets that are in line with the Financial Strategy and the Council's aim of achieving Council Tax increases of no more than inflation.

4. **KEY INFORMATION**

- 4.1 The Government introduced an efficiency target of 2.5% per annum following the Gershon review, half of which has to be 'cashable'. These targets currently cover the period up to 2007/08.
- 4.3 Very good progress has been made so far on achieving efficiencies, which is demonstrated by our 'Backward Look' Efficiency Statements for 2004/05 and 2005/06. Members have previously seen the 2004/05 statement and details of the 2005/06 statement submitted to the Government are attached in Appendix 1.
- 4.4 In terms of the current year, the Efficiency Statement to be submitted to the Government was approved by Council on 11 April (Paper F1 refers) and estimated that further efficiencies of £515,000 could be achievable, with £245,000 of this being cashable.
- 4.5 Key points in relation to progress on achieving these efficiencies are highlighted below. The original estimate for the year is shown for each area:
- Environmental Services (Estimate £111,000) - the biggest focus this year has been on the Joint Refuse Contract with Mid Suffolk, which will deliver significant future efficiency savings. Although the level of efficiencies achieved on other activities this year is more limited and will be less than originally estimated, efficiencies in this area to date total around £700,000.
 - Staff savings (Estimate £149,000) – this estimate included an allowance in relation to the Structural Review of the Organisation and some other specific areas of the council where savings were expected. It also included a reduced level of days lost through staff sickness. In total, savings and the redirection of staff resources to corporate priorities arising from the Structural Review will at least result in this figure being achieved and possibly exceeded.
 - Procurement (Estimate £30,000) – this mainly relates to day-to-day commodity purchases and will be achieved. In fact, more savings than this may be possible.
 - Transactions and processing (Estimate £186,000) – this partly relates to Revenues and Benefits in terms of processing more cases and collecting money from more properties. This will still be the case but perhaps at a lower level than originally envisaged. Most of the estimate relates to E-Government projects and the majority of these are likely to be achieved but most of this is non-cashable.
 - Other (Estimate £39,000) – This includes higher income at TIC's, Supporting People savings and lower maintenance costs in Council Houses from the window replacement programme. Most of this should be achieved.
- 4.6 In overall terms, it is likely that total efficiencies for 2006/07 should be close to the original estimate of £515,000, although the actual position may be a little less than this. In any event, the total efficiencies identified will definitely exceed the Government's 2.5% efficiencies target.
- 4.7 Work will continue on identifying and quantifying efficiencies for the current year and the actual outcomes will be submitted to the Government in June 2007. In addition, work has commenced, through the SFP process, on identifying potential efficiencies for 2007/08 and these will be presented to Members in March next year.

Risk Assessment

- 4.8 The current strategic risk register, which was based on an assessment in May 2005, classified the potential risk of delivering on the efficiency agenda and meeting the Gershon targets as C1 – significant likelihood and catastrophic impact.
- 4.9 This was at a very early stage of the council's efficiencies review work and since then a clear framework has been established to identify ongoing efficiencies. The risks associated with achieving the Gershon efficiencies will be re-assessed as part of the forthcoming Strategic Risks Review. Details of the original risk assessment are set out in Appendix 2 and comments on the current position are set out below:
- The potential consequences of not achieving efficiencies have been largely addressed to date but there are still challenges for the future in terms of continuing to find innovative solutions for further efficiency savings
 - The actions and controls in place have helped to progress work on embedding the efficiency framework
 - The Corporate Plan and SFP process provides a sound basis for Members and staff in identifying future efficiencies
 - The CAST project will not deliver the significant efficiency savings envisaged 18 months ago
 - Progress on procurement savings continues but a clear, forward looking strategic plan is needed. A report to the next Strategy Committee on this is included in the workplan
 - Going Forward Together and other initiatives need continued momentum
 - E-Government plans and projects are delivering efficiencies although most of these have been non-cashable so far
 - Most of the critical success factors are being met and the council's Efficiency Statements submitted to the Government exceed the Gershon Targets

5. APPENDICES

- (1) Backward Look Efficiency Statement 2005/06
- (2) Original Strategic Risk Assessment on Efficiencies

6. BACKGROUND PAPERS REFERRED TO:

2006/07 Forward Look Efficiency Statement

CONTACT: Barry Hunter

DIRECT LINE: 01473 825819

Annual efficiency statement - backward look

Details

Local authority Babergh District Council
Contact name Barry Hunter
Job title Head of Finance
Email address barry.hunter@babergh.gov.uk
Submitted date 06/07/2006 03:54 PM

Statement

Key actions undertaken to achieve efficiency gain

Continued improvement in waste collection and recycling services as part of the Countywide Waste Management Strategy, working in partnership with other councils.

Efficiency savings and additional income (that counts as an efficiency) forecast in the approved budget implemented as far as possible.

CAST (Customer Access and Service Transformation) Project progressed with funding from ODPM. BPR pilots undertaken with outcomes being implemented and efficiencies arising from 2006/07. This project is now much wider than outlined in our Forward Look AES and BPR plans for all key council services are now being considered.

Use of performance management arrangements to set and achieve challenging targets in relation to BVPI's and local priorities. Transactional savings in Revs & Bens being achieved.

Structural Review of the organisation in progress with efficiency savings expected in 2006/07 - both cashable and in relation to the redirection of staff resources to corporate priorities.

Above is part of the councils 'Going Forward Together' Initiative.

Continued work on implementing the Procurement Strategy with a dedicated procurement resource (shared partnership arrangement with two other Suffolk District Councils) put in place from January 2006. Planned savings now largely anticipated in 2006/07. Construction Partnering contracts established, understood to be amongst the first in the country. E-procurement plans deferred slightly as part of CAST project considerations. Currently being implemented with roll out in July 2006.

Work continuing on partnership/shared service arrangements for specific services. Some have proved unviable but others are being pursued.

IEG plans are being implemented and initial efficiency savings have been achieved with more anticipated in future years.

Leisure Trust established from April 2006

As Babergh is a District Council, we do not have Adult social services, Children's services, Local transport, or Educational services. Therefore our "other cross-cutting efficiencies" are more than 50% of the total efficiencies in 2005/06.

	Ongoing gains sustained from 2004/05 (Â£)		Further gains achieved in 2005/06 (Â£)		...of which expected to be ongoing (Â£)		Cumulative gains as at end of 2005/06 (Â£)		
Title	Total gains	...of which cashable(Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Related links
Adult social services	0	0	0	0	0	0	0	0	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
No efficiency gains to be reported in this sector, (enter 0 in 2004/05 and 0 in 2005/06)							0	0	Yes
Overarching key actions taken:									
Overarching quality crosscheck information:									
Children's services	0	0	0	0	0	0	0	0	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
No efficiency gains to be reported in this sector, (enter 0 in 2004/05 and 0 in 2005/06)							0	0	Yes
Overarching key actions taken:									
Overarching quality crosscheck information:									
Culture and sport	0	0	0	0	0	0	0	0	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
No efficiency gains to be reported in this sector, (enter 0 in 2004/05 and 0 in 2005/06)							0	0	Yes
Overarching key actions taken:									
Overarching quality crosscheck information:									

	Ongoing gains sustained from 2004/05 (Â£)		Further gains achieved in 2005/06 (Â£)		...of which expected to be ongoing (Â£)		Cumulative gains as at end of 2005/06 (Â£)		
Title	Total gains	...of which cashable(Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Related links
Environmental services	485,438	334,345	176,200	92,600	176,200	92,600	661,638	426,945	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
Percentage of households resident in the Authority's area served by kerbside collection of at least two recyclables (BV91b)							100	100	Yes
<p>Overarching key actions taken: Reduced cost (Â£77,900) and improvement in tonnage recycled (Â£1,300) of the twin bin scheme. Increased provision of garden waste service with very little increase in resources (Â£80,200). Reduced cost of trade waste scheme with increase in service to customers (Â£14,000). Reduced cost of removing abandoned vehicles with no change in the quality of service (Â£2,800).</p> <p>Overarching quality crosscheck information: In addition to the key quality crosscheck, the council has improved the outcomes and performance on the following BVPI's (these are additional quality crossocks):</p> <p>BV 82b - % waste composted up from 4.24% in 2004/05 to 6.45% in 2005/06 (provisional) BV 84a - number of kilograms of household waste collected per head up from 396.4 to 405.21 (provisional)</p>									
Local transport (highways)	0	0	0	0	0	0	0	0	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
No efficiency gains to be reported in this sector, (enter 0 in 2004/05 and 0 in 2005/06)							0	0	Yes
Overarching key actions taken:									
Overarching quality crosscheck information:									

Title	Ongoing gains sustained from 2004/05 (Â£)		Further gains achieved in 2005/06 (Â£)		...of which expected to be ongoing (Â£)		Cumulative gains as at end of 2005/06 (Â£)		Related links
	Total gains	...of which cashable(Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	
Local transport (non-highways)	0	0	0	0	0	0	0	0	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
No efficiency gains to be reported in this sector, (enter 0 in 2004/05 and 0 in 2005/06)							0	0	Yes
Overarching key actions taken:									
Overarching quality crosscheck information:									
LA social housing (capex)	0	0	0	0	0	0	0	0	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
No efficiency gains to be reported in this sector, (enter 0 in 2004/05 and 0 in 2005/06)							0	0	Yes
Overarching key actions taken:									
Overarching quality crosscheck information:									
LA social housing (other)	0	0	12,000	12,000	0	0	12,000	12,000	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
Non-approved indicator (enter 0 in 2004/5 and 1 in 2005/6 and explain in the text box)							0	1	Yes
Overarching key actions taken: Profit on architectural design work undertaken for Housing Association Social Housing schemes (Â£12,000)									
Overarching quality crosscheck information: Increase in number of Local Authority/Housing association dwellings in Babergh in 2005/06, from ODPM Housing Strategy Statistical Appendix 2006, section N = 42.									

	Ongoing gains sustained from 2004/05 (Â£)		Further gains achieved in 2005/06 (Â£)		...of which expected to be ongoing (Â£)		Cumulative gains as at end of 2005/06 (Â£)		
Title	Total gains	...of which cashable(Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Related links
Non-school educational services	0	0	0	0	0	0	0	0	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
No efficiency gains to be reported in this sector, (enter 0 in 2004/05 and 0 in 2005/06)							0	0	Yes
Overarching key actions taken:									
Overarching quality crosscheck information:									
Supporting people	0	0	0	0	0	0	0	0	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
No efficiency gains to be reported in this sector, (enter 0 in 2004/05 and 0 in 2005/06)							0	0	Yes
Overarching key actions taken:									
Overarching quality crosscheck information:									
Homelessness	0	0	17,100	17,100	17,100	17,100	17,100	17,100	
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
Reduction in use of temporary accommodation, where exercising a duty under the homelessness legislation							0	0	Yes
Previous primary quality cross check (if different)									
Previous primary quality crosscheck							2004/05	2005/06	Quality cross check met?
No efficiency gains to be reported in this sector, (enter 0 in 2004/05 and 0 in 2005/06)							0	0	Yes
Overarching key actions taken: Implementation of new Homelessness Strategy reducing the use of Bed & Breakfast accommodation. The reduction in use of temporary accommodation (BV203) in 2005/06 was -6.41% as compared to 2004/05 -3.85%.									

	Ongoing gains sustained from 2004/05 (Â£)		Further gains achieved in 2005/06 (Â£)		...of which expected to be ongoing (Â£)		Cumulative gains as at end of 2005/06 (Â£)		
Title	Total gains	...of which cashable(Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Related links
Overarching quality crosscheck information:									
Other cross-cutting efficiencies not covered above									
Corporate services	102,907	102,907	32,600	32,600	32,600	32,600	135,507	135,507	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
No new qualifications on the financial accounts (0=No, 1=Yes)							1	1	Yes
Previous primary quality cross check (if different)									
Previous primary quality crosscheck							2004/05	2005/06	Quality cross check met?
No deterioration in CPA `Use of Resources` score (0=No, 1=Yes)							1	1	Yes
Overarching key actions taken: Full year/additional staff savings in Finance and Office support services.									
Overarching quality crosscheck information: No new qualifications on the financial accounts are estimated for 2005/06.									
Procurement	3,573	766	25,100	18,200	25,100	18,200	28,673	18,966	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
Corporate procurement strategy in place and/or updated in the last year (0=No, 1=Yes)							1	1	Yes
Overarching key actions taken: Action Plan being progressed to achieve commodity savings and business processes, with some initial savings achieved in 2005/06 and more planned in 2006/07									
Overarching quality crosscheck information:									
Productive time	0	0	24,700	24,700	24,700	24,700	24,700	24,700	Documents People Projects
2005/06 Primary quality cross check									
Quality cross check							2004/05	2005/06	Quality cross check met?
Non-approved indicator (enter 0 in 2004/5 and 1 in 2005/6 and explain in the text box)							0	1	Yes

	Ongoing gains sustained from 2004/05 (Â£)		Further gains achieved in 2005/06 (Â£)		...of which expected to be ongoing (Â£)		Cumulative gains as at end of 2005/06 (Â£)			
Title	Total gains	...of which cashable(Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Related links	
	Previous primary quality cross check (if different)									
	Previous primary quality crosscheck				2004/05	2005/06	Quality cross check met?			
	Working days lost to sickness absence (BV12)				8.36	8.44	No			
	Overarching key actions taken: Process in place to leave posts vacant if possible and delay recruitment without impacting on service delivery as well as not replacing vacant posts where appropriate. This has resulted in overall savings compared to the previous year.									
	Overarching quality crosscheck information: Number of Housing Benefit and Council Tax Benefit claimants visited per 1000 caseload (BV76a) has risen from 208 in 2004/05 to 233.28 in 2005/06. The percentage of invoices for commercial goods or services paid on time (BV8) has risen from 96.8% to 98.5%. The number of working days lost due to sickness absence increased slightly in 2005/06 due to a small number of people being absent for long periods due to family bereavement or major surgery.									
	Transactions	113,422	49,309	140,700	56,100	140,700	56,100	254,122	105,409	Documents People Projects
	2005/06 Primary quality cross check									
	Quality cross check				2004/05	2005/06	Quality cross check met?			
	Percentage of Council Tax collected (BV9)				98.65	98.79	Yes			
	Overarching key actions taken: Continued emphasis on Revs & Bens activities to streamline processes, achieving higher volumes of transactions and cases within existing staff resources (Â£17,400). The number of benefit fraud sanctions also increased significantly from 2004/05 providing efficiency improvement and additional income using existing staff resources totalling Â£81,900. Increased use of the website and other electronic methods have avoided the need for staff to be involved (i.e. cost avoidance) by (Â£41,400).									
	Overarching quality crosscheck information:									
	Miscellaneous efficiencies	37,773	5,104	16,300	7,500	16,300	7,500	54,073	12,604	
	2005/06 Primary quality cross check									
	Quality cross check						2004/05	2005/06	Quality cross check met?	
	Non-approved indicator (enter 0 in 2004/5 and 1 in 2005/6 and explain in the text box)						0	1	Yes	
	Previous primary quality cross check (if different)									
	Previous primary quality crosscheck				2004/05	2005/06	Quality cross check met?			
	Overall CPA score (0=Poor, 1=Weak, 2=Fair, 3=Good, 4=Excellent)				3	3	Yes			
Overarching key actions taken: Savings on advertising planning applications (Â£7,500)										
IEG plans have resulted in the introduction of systems which have avoided the need for a proportion of this contact to be dealt with by staff ie cost avoidance (Â£8,800).										

	Ongoing gains sustained from 2004/05 (Â£)		Further gains achieved in 2005/06 (Â£)		...of which expected to be ongoing (Â£)		Cumulative gains as at end of 2005/06 (Â£)		
Title	Total gains	...of which cashable(Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Total gains	...of which cashable (Â£)	Related links
	Overarching quality crosscheck information: Quality of planning services checklist (BV205) has increased from 83% in 2004/05 to 94.4% in 2005/06.								
Total	743,113	492,431	444,700	260,800	432,700	248,800	1,187,813	753,231	

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Appendix 2

EFFICIENCY AGENDA - Innovative solutions to efficiency savings are not found

Risk Impacts on all of the Corporate Priorities especially Priority 4 –Give Easy Convenient Access to Quality Services

Risk Number	Risk Score		Vulnerability	Trigger	Consequence
	Current	Target			
12	C1		<p>Babergh is required to respond to Gershon and deliver 7.5% efficiency savings over the next three years.</p> <p>Radical thinking is required to do this and it is recognised that continuous ‘salami slicing’ is not the way forward. (CAST offers a solution)</p>	Innovative solutions to efficiency savings are not found	<ul style="list-style-type: none"> • Service levels may drop below the public’s expectation • Council Tax may be forced to increase above the level of inflation, with knock-on effects such as capping if the increase is above 5% • Reduced customer satisfaction levels • Failure to effectively measure efficiency savings • Financial reserves may need to be used • CPA score may be reassessed due to poor use of resources

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control and timetable	Responsibility for action		Critical success factors & KPI’s
			Management Team	HoS or other officer	
An approved (Strategy Committee) documented efficiency framework is in place. Mid-year report to Members on progress on efficiencies that have been achieved or are planned.	Framework is in place, but it is new. Embedding and operation in practice may need further attention and strengthening	Review the effectiveness of the framework annually and consider need for longer-term Efficiency (and Value for Money?) Strategy.	Helen Style	Barry Hunter	<p>Backward look statements to ODPM meet the 2.5% p.a. annual efficiency target.</p> <p>Members satisfied that clear plans exist and sufficient progress on actual achievement of efficiency savings being made</p>

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control and timetable	Responsibility for action		Critical success factors & KPI's
			Management Team	HoS or other officer	
The Corporate Plan includes overall efficiency targets.	Efficiency targets could be more challenging and set for each division/service area. Targets for future years should be set as part of the SFP process and cascaded throughout the organisation.	Ensure 2006/07 Corporate Plan targets are more succinct and challenging so that more than the 7.5% target is achieved.	Geoff Kistner Helen Style	Barry Hunter	Achieve the Corporate Plan targets.
Staff targets (PRP) include a requirement for staff to find efficiencies.	Targets tend to be quite general, some doubt as to whether they are consistent and cascaded throughout the organisation.	Targets for staff should be clear and SMART.	Geoff Kistner Helen Style	Barry Hunter	Efficiency savings are included in all appropriate 2007/07 staff targets and targets are SMART.
Service and Financial Planning process seeks to identify savings and efficiencies.	Strong processes and procedures.	None	Geoff Kistner Helen Style	Barry Hunter	Service and Financial Planning Process delivers significant cashable savings/efficiencies. Cashable efficiencies element clearly quantified, delivery regularly monitored and achieved.
Customer Access Service Transformation (CAST) looking to achieve savings of approaching £1m p.a. through Business Process Re-engineering (BPR).	CAST and BPR are unproven at this Council.	Evaluate risks, success and outcomes regularly.	Geoff Kistner Helen Style	John Raine/Barry Hunter	Pilots identify realistic and achievable efficiencies and these are delivered in the forecast timescales. View that subsequent BPR's will meet expectations

Action/controls already in place	Adequacy of action/control to address risk	Required management action/control and timetable	Responsibility for action Management Team HoS or other officer		Critical success factors & KPI's
Procurement: joint working, partnerships.	There are good strategies in place, however there are uncertainties on whether specific aspects and current investigation will deliver tangible savings and efficiencies.	Evaluate success and outcomes regularly and identify new opportunities.	Geoff Kistner Helen Style	Barry Hunter/other Service Heads	New partnerships are identified and procurement savings achieved and evidenced.
Transformation agenda - Going forward together, Bin The Task.	Philosophy is strong – especially with Members and Senior Management. (Perhaps not so strong with staff?).	Management Team to re-launch and embed Bin the Task consider additional opportunities.	Geoff Kistner Helen Style	Barry Hunter/ Andrew Hunkin	Bin the Task is embedded and other initiatives deliver further savings in 2005/06 and subsequent years.
IEG plans indicate efficiency savings should be achieved on things like e-forms and e-procurement.	There are risks around not delivering, however there are some big projects that should generate real savings.	Review approach to benefits assessment and realisation, regularly assess delivery and monitor outcomes against plans.	Geoff Kistner Helen Style	Barry Hunter/Carl Reeder	Annual outcomes achieve at least 75% of that forecast.
Other		Other action – new Corporate Director should review adequacy and effectiveness of arrangements and controls before 2006/07 efficiency statement is submitted.	Geoff Kistner Helen Style	Barry Hunter	No additional use of financial reserves beyond existing plans. Council Tax is kept within inflation and CPA score is not affected detrimentally.