

(In preparing this report the relevance of the following factors has been considered: prevention of crime and disorder, equality of opportunity, environmental, financial, health, legal and human rights, personnel and property considerations.)

DERBYSHIRE COUNTY COUNCIL

STRATEGY & BUDGET / REGENERATION / EXTERNAL AFFAIRS IMPROVEMENT AND SCRUTINY COMMITTEE

22 NOVEMBER 2005

Report of the Chair of the Strategy & Budget / Regeneration / External Affairs Improvement and Scrutiny Committee

REVIEW OF COUNCIL BUDGETS

1. Purpose of the Report

This report summarises the findings of the Improvement and Scrutiny review of Council Budgets.

2. Information and Analysis

- 2.1 At its meeting on 28th June 2005 the Committee agreed that it would undertake a review in 2005/06 of Council Budgets.
- 2.2 Extensive consultation has been conducted by the review working group and a number of recommendations have been made.
- 2.3 A copy of the report is appended.

3. Recommendation: That:

- (a) The Committee agrees the recommendations outlined in the report.
- (b) The Chair of the Improvement and Scrutiny Committee presents the report to the Cabinet.
- (c) Following consideration of this report it is suggested that, should the Cabinet agree to implement the recommendations, the Improvement and Scrutiny Committee receives a report at a date to be determined, to outline progress made.

Councillor Kevin Gillott

**Chair of the Strategy & Budget / Regeneration / External Affairs
Improvement and Scrutiny Committee**

DERBYSHIRE COUNTY COUNCIL

**Improvement and Scrutiny Committee –
Strategic Policy & Budget/Regeneration/External Affairs**

Review of Council Budgets

Outcome Report

November 2005

Improvement and Scrutiny Review of Council Budgets

Outcome report

1. Purpose of the review.

As part of its work programme for 2005/6 the Improvement and Scrutiny Committee for Strategic Policy & Budget/Regeneration/External Affairs undertook to complete a review on Council budgets. This was a follow on to a similar review undertaken last year which was accepted by Cabinet.

The primary aim of the current review was to identify any suggested improvements which Cabinet could consider and take into account as part of the Cabinet's deliberations for the 2006/07 budget preparation process. In undertaking the review there was a clear understanding that specific budgetary allocation issues were a matter for Cabinet, and not the review, and that the review's scope was to examine practices, procedures and processes deployed by service departments in the management of their budgets.

The main areas of focus for the review were:-

- To examine the reasons for under or overspendings against service department budgets
- The progress service departments are making with efficiency and 'Gershon' savings, and in particular the cash savings targets aimed at keeping council taxes low next year
- The progress service departments are making with service redesign projects and other initiatives to deliver improvements and efficiencies in the delivery of services.

Chief Officers were asked to address a number of detailed points relating to the above and submit reports to the review Panel for consideration. The list of issues is enclosed as an appendix to this report.

2. Review Panel

The review Panel comprised the following Members:-

Councillor Kevin Gillott (chair)
Councillor Paul Buckley
Councillor Kath Lauro
Councillor Peter Riggott
Councillor Patrick Clark
Councillor Carol Hart
Councillor Ray Russell

The Panel met and undertook a series of meetings with each of the service chief officers on 5th, 14th and 18th October 2005. In addition to the formal meetings of the Panel, Councillors Gillott and Buckley met with service department Group Accountants, the Head of Change Management, the Chief Executive and the County Treasurer to gain background information and briefing on issues that may be relevant to the review.

3. Outcomes and Recommendations of the Review

The following recommendations are put forward for consideration by Cabinet:-

- It should be recognised that DCC is an excellent authority and that any comments should be seen in this context
- It should be recognised that delivering Gershon, particularly in years 2/3 and finding the £8m saving on the base budget in 2006/07 is likely to be challenging.
- There is a need for ongoing pressure to ensure progress on efficiencies & service redesign with a continuation of the 6 monthly progress reports to Cabinet together with Scrutiny involvement.
- The Cabinet's decision to have a report, following the Access to Services review, on a department by department programme on service redesign is endorsed.
- Greater use should be made of the Change Management "capacity" budget and/or engaging outside advisors where this is cost effective to drive efficiency gains, and that the Change Management team should be given a more pro-active role to help act as a driver of the programme within each department.
- Other departments should follow the Chief Executive's example and employ outside advisers to undertake an overview of service redesign opportunities, unless a convincing case to the contrary is agreed by the Chief Executive with a service chief officer.
- The Cabinet's decision to have regular reports on progress in transferring services into Call Derbyshire and on to the DCC website, against the above programme, be endorsed.
- There is a need to ensure that activities/services transferred to Call Derbyshire have been subject to a full service redesign process. If not, the activities/services should be reviewed as a matter of urgency.
- It be recognised that setting the £8m cash saving target has helped in ensuring that high priority is given to the change management/service redesign/Gershon programme and that appropriate targets are set in future years.
- The principle of carrying forward managed underspendings is strongly endorsed but that monitoring statements should show expenditure on base budgets plus use of in-year underspendings to balance the budget.
- It should be endorsed that business cases on proposed service redesign proposals should explicitly quantify savings to be gained; by when; and how they are to be used and that relevant information should be contained in appropriate Cabco and Cabinet papers.
- If business cases do not follow the above principle then the reports to Cabco/Cabinet should be subject to possible 'call-in'.
- Last year's review recommendation be reinforced that, for growth items, allowance is made in year one for delays in 'start up' with full year costs

discounted accordingly, and that quarterly monitoring be undertaken with any unused growth provision being retained for central use or reallocation.

- **Release of 2004/05 uncommitted underspendings be dependent upon the identification of specific projects/initiatives to meet efficiency savings required to meet the £8m base budget savings target for 2005/06 or evidence that the target cannot be met.**
- **Consideration be given to better co-ordination of property reviews taking account of BSF and other pressures and responding to the proposals in the Access to Services review and the Derbyshire Partnership Forum Gershon programme.**
- **To help the Council maintain its “Excellent” status, as well as meeting the ever changing expectations of both local people and central government, there is a need to promote further the change culture within the authority with further investment in and training opportunities for senior management.**

4. Supporting information

In arriving at the above recommendations the Panel took into account the following factors that emerged from the review.

4.1 The Council is recognised by the Council's external auditors; by its 'excellent' CPA status; and by the submission made to the Audit Commission on its Use of Resources assessment as part of the next round of CPA assessments, as having good managerial control of its budgets and financial resources. Additionally, there exists close cooperative working arrangements between chief officers and Cabinet members with a clear understanding of financial and budgetary processes and the financial aims of the authority. Any comments arising from this review should be seen in this context and as a means of aiding the continuous improvement agenda.

4.2 The Council has two complementary efficiency saving objectives. The first being the government's 'Gershon' efficiency targets requiring authorities to achieve 2.5% efficiency targets in 2005/6 to 2007/8; at least half being cashable and the rest non-cashable. Alongside this the Council has set an objective of keeping council tax increases low in 2006/7. The total cash saving required being £8m on base budgets in 2006/7

One of the measures to aid efficiencies is the programme of service redesign projects launched in April 2004 which complements the Change Management programme.

Whilst good progress is being achieved on the 'Gershon' savings in 2005/6, it seems clear from the review that achieving the 'Gershon' savings in the next two years and the 2006/7 cash savings for low council tax increases will be particularly challenging for service departments. There are several reasons for this including:

- the lead times needed to deliver major service redesign projects
- the availability of staff resources, particularly at senior levels, to manage and undertake service redesign and efficiency saving initiatives alongside doing the 'day job'.
- the impact of human resource implications
- the need to instil a change culture in the organisation

There is therefore a need to maintain the drive in achieving these objectives and ensure progress that will deliver the objectives of the Council. It is acknowledged that monitoring processes are in place at chief officer level with six monthly progress reports being submitted to Cabinet. This is endorsed and it is suggested these could be complemented by progress reports being submitted to Improvement and Scrutiny. It is suggested as a way forward that the scrutiny Budget Review Panel continue and receive progress reports from chief officers, with the chair of the Panel raising any issues with appropriate Cabinet members and chief officers.

4.3 During the course of the review the full committee also received the Access to Services Best Value review prior to its submission to Cabinet. The Best Value report echoed some of the concerns that arose in the budget review, namely that there was substantial scope to better utilise the Call Centre and Website as a means of transferring front office functions and thereby enhance the service redesign process; deliver efficiencies; and improve access to council services by local people.

Cabinet's decision to receive progress reports on a department by department basis on delivering the access to services programme is therefore endorsed.

4.4 One of the key points raised in the review was that of lack of staff resources to deliver service redesign and efficiency initiatives. It was noted that the Change Management 'capacity fund' of £400k was available but under used by service departments. The exercise undertaken by the Chief Executive's Office in engaging external advisors to undertake an overview of service redesign opportunities and provide external scrutiny is something that could be copied by other departments. To cater for cases where this would not be appropriate, the Chief Executive could agree to an exception being made where a convincing case is made by a service chief officer.

Given the importance of delivering significant cash savings, service departments are therefore encouraged to make greater use of the Change Management capacity budget. This could be to enable internal staff to be released (by back filling) to work on service redesign initiatives where this is cost effective to drive efficiency gains. It is also considered that whilst the onus rests with service departments to deliver service redesign proposals, the Change Management team could play a more proactive role and help drive the delivery of service redesign opportunities, and combine the expertise the team has gained with service department requirements.

4.5 A number of examples were highlighted in the review where front office services that had been transferred to the Call Centre or Website had not been subject to a full service redesign process. The effect of this being that users of the Call Centre or Website could not use them as a full one stop mechanism for undertaking transactions with the council. The review noted examples in other authorities where similar services could be transacted online. There is a need to ensure that activities or services being moved to the Call Centre or Website are subject to the service redesign process to ensure the full economic benefits are realised, and any services that have not been through this process should be reviewed by service departments.

4.6 It was clear from the review that the setting of departmental cash saving targets to achieve the £8m required in 2006/7 had focussed minds and given a very clear steer to departments on how the various initiatives of Change Management; service redesign; 'Gershon'; and identifying low priority areas could be brought together to meet this objective. As noted previously, some departments may find the achievement of their cash targets problematic and that is a matter for future consideration by Cabinet as part of the budget preparation process.

The review considers that appropriate cash saving targets should be set for service departments for future years and will aid the monitoring of progress against them.

4.7 The Council has clearly defined processes for monitoring expenditure throughout the year, and through its revenue out-turn reports to Cabinet clear processes for determining the use and allocation of underspendings against service requirements. The principle of enabling managed underspendings to be carried forward is fully endorsed. It was clear from the review that chief officers require some flexibility in the management of budgets and the ability, where needs arise, to offset pressures in a budget head against the managed use of underspendings in another budget head to remain within cash limits. Similarly a reasonable contingency element within service budgets is prudent. To enable greater clarity and transparency budget expenditure monitoring statements to Cabcos should show expenditure against base budget provision and separately the use of in-year underspendings to balance the budget.

4.8 Given the potential budgetary pressures in 2006/7 allied to the need to achieve £8m cash savings it is considered that Cabinet should consider withholding the release of uncommitted underspendings for those departments that do not achieve their allocated target of cash budget savings, unless there is evidence that the targets cannot be met. This would enable more time to be given in the attainment of cash savings without prejudicing the overall budget position for next year. Subject to the circumstances of each service departments there may be pressing needs for the use of underspendings and this could be catered for by Cabinet.

4.9 One of the recommendations made in the Scrutiny Review of Budgets completed last year, and adopted by Council was that allowance should be made in any growth items provision, that in the first year allowance be made for slippage or delays. It seems clear that underspendings continue to arise on some budget growth items because full year provision is not utilised because of staff recruitment and other delays. It is suggested that full year provision should still be made – and thereby avoid budget pressures in future years – but expenditure be closely monitored quarterly and underspendings on growth due to delays be allocated to a central reserve.

4.10 In examining the proposals presented to the review for service redesign and cashable savings, some uncertainty existed with certain proposals on the cash benefits that would be delivered. In some cases this was understandable due to the stage of development of the proposal. However there was some concern that the cash benefits and savings to be derived were not as clear as they may be. A process has been adopted to ensure business cases are developed for service redesign projects and it should be endorsed that proposals should explicitly quantify the cash savings to be gained; when; and how they are to be used; and that such information be contained in Cabinet or Cabco reports to ensure there is transparency in the capturing of savings, and clear approval for their use.

Allied to the above, should the above principle not be followed those reports not including the appropriate information may be subject to the 'Call-in' procedure.

4.11 One of the major resource areas that may deliver future economies and efficiencies is the use of accommodation and the Council's property assets. Examples were highlighted to the review. These included the joint review on the use of property initiated by the Derbyshire Partnership Forum examining those areas where joint use of property may be feasible by the county and district councils. The Building Schools for the Future programme will also seek to apply combined usage of school buildings for services and out of hours usage. The outcome of the Access to Services Review may also provide opportunities for 'homeworking' by staff where this is appropriate and cost effective. It seems likely that the outcome of various 'Gershon' initiatives will also have property considerations. It is recommended that consideration be given to better coordination of such reviews to maximise the potential property economies.

4.12 During the course of the review it was clear that the Council is facing increasingly higher expectations to deliver Government requirements and to deliver its continuous improvement agenda of services for local people. This will inevitably need cultural changes within the organisation to deliver those expectations. At chief officer level the aims and requirements are well understood and they are working hard to deliver them. The changes required to meet the higher hurdle set to continue the Council's 'excellent' CPA status; meet the 'Gershon' targets; and deliver improved services will be reliant upon the support and contribution of staff at all levels. Given the priority of meeting these challenges the review considers there is a need to promote further the change of culture; to challenge existing working practices; and that this will require further investment in training especially for those staff who are at the forefront of managing and delivering the changes required.

The Panel would wish to express its thanks to all those who participated in the review.

KEVIN GILLOTT
Chair of review Panel

November 2005

Appendix

Improvement & Scrutiny Review of Council Budgets

Topic issues to be addressed by Chief Officers

1. To identify the main areas of under or/overspending in your budget in 2004/5, and the reasons for them
2. To identify any budget heads where under or overspending regularly occurs (eg over last 3 years); and whether base budgets have been adjusted.
3. To identify any areas where under or overspending has occurred on new budget growth provision, and any reasons for this; and whether service provision was affected.
4. To identify which under/overspendings or savings were “managed” and those that were “windfall”; and any amounts offered up for corporate use.
5. To identify how uncommitted under/overspendings being carried forward are to be used, and how these reflect the service priorities of the Council and the outcome of service user/public consultations.
6. To identify how the service redesign programme is being used and promoted in service departments; indicating completed, current or proposed examples.
7. To identify the benefits/efficiencies/cash savings that are being provided from redesigns completed or underway.
8. To illustrate the criteria used to prioritise those processes etc to be re-designed; and identify any barriers to re-designing services (eg support capacity).
9. To illustrate actions taken, or proposed, to meet the target savings identified for service departments
10. To illustrate how savings are captured.
11. To identify any suggestions for improvement

