

Resources Improvement and Scrutiny Committee

Review of Council Budgets

1. Introduction

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

The targets are expected to be generated by improving efficiency not by diverting resources away from front line services.

As part of its work programme for 2006/7 the Resources Improvement and Scrutiny Committee agreed to undertake a review of Council budgets in 2006/7. The Committee has undertaken reviews examining the Council budget in 2004 and 2005 and the recommendations contained within both reports have been accepted by Cabinet. The focus of the 2006/7 review differed from the previous exercises with greater emphasis placed on how cash savings are to be achieved and the impact this may have on services. In particular the review sought:-

- To identify the progress service departments are making in achieving the 2006/7 cash saving targets
- To consider proposals to meet the anticipated 2007/8 cash savings target, including expected returns from service re-design and invest to save initiatives.

2. Budget Efficiency and Service Improvement Sub-Group

The review was undertaken by the Budget Efficiency and Service Improvement Sub-Group of the Resources Improvement and Scrutiny Committee. The sub-group comprises Councillor Gillott (Chair), Councillor Buckley, Councillor Lauro, Councillor Riggott, Councillor Hart, Councillor Clark and Councillor Russell. The sub-group received reports from Chief Officers and consulted the following officers to develop the review:

David Harvey (Strategic Director – Environmental Services)
Martin Molloy (Strategic Director – Cultural and Community Services)
Bruce Buckley (Strategic Director – Children and Younger Adults, and Acting Strategic Director - Older Adults)
Bill Robertson (Strategic Director – Older Adults, commencing 1st November)
Nick Hodgson (Chief Executive)
Gerald Tommy (Deputy Chief Executive)
David Tysoe (County Secretary)
Graham Hunt (Head of Corporate Finance)

3. Summary of Findings

The main findings identified by the review are:

- a) Despite financial pressures in a number of service areas, notably Children and Younger Adults, it is likely that the cash savings target for 2006/7 will be met.
- b) A number of successful service re-design projects have been implemented and they are generating significant savings. However, genuine service efficiency savings are not being captured in sufficient quantities to meet the cash savings targets. The shortfall will be met in 2006/7 by a number of unsustainable savings and increases in income.
- c) At present the cash savings targets are being achieved with limited impact on the funding or the quality of front line services. This will be increasingly hard to achieve in 2007/8 and beyond as significant additional pressures on the budget are anticipated. It is therefore imperative that steps are taken to maximise the cash savings from current and future service re-design projects.

4. Delivering cash savings through Service Re-design

The consultation undertaken by the sub-group identified several explanations why a number of service re-design projects have not yet delivered the anticipated cash savings. They can be summarised as follows:

- It has taken longer for the savings to be realised following service redesign.
- Departments have not been able to fully capture cash savings from service re-design projects. The primary reason given for this was that the redesigned function often only accounted for a small percentage of a person's job and the remaining duties they perform were still required. Therefore, the service still employs the same number of people and any surplus capacity generated by the service re-design is absorbed by other needs.
- There is an understanding that to make significant savings through service re-design projects it will be necessary for the County Council to reduce employee numbers in certain service areas. There exists within the Authority a reluctance to make employees redundant.
- The costs associated with making certain employees redundant are high and there are no incentives to encourage this process. Priority should therefore be given to retraining and redeploying existing employees and taking full advantage of natural wastage and retirements.
- The approach to service re-design has tended to focus on altering individual services rather than redesigning larger homogenous functions

that exist within all departments where the potential for considerable efficiency savings exists.

- There exists a lack of officers who have the capacity to drive forward service re-design projects within departments whilst undertaking the 'day job'. Where officers have been given specific responsibility for implementing change across service areas it has resulted in the most far-reaching efficiency changes.

5. Recommendations

Achieving the cash savings targets will help the County Council meet its objectives of keeping council tax increases low and investing resources into front line services. It is therefore essential that the Council is able to maximise the cash savings from current and future service re-design projects. To aid this process the sub-group recommends the following:

- Adopt a more radical approach to service re-design. With additional budget pressures on the horizon the County Council's cash saving targets will only be achieved through projects that generate large savings. An area where this may be achieved is by seeking efficiency savings from cross departmental functions.
- Evaluate service re-design projects to identify clearly those savings that will result in productivity improvements and those that will reduce costs.
- Enhance the planning of the process to enable the Authority to:
 - Identify where specific savings will be generated by service re-design projects prior to approval. This should include identifying staff groups that will be affected by service re-design projects
 - retrain employees affected by service re-design projects to meet forthcoming vacancies / resourcing shortfalls in other areas
 - prioritise services in order to release funding where necessary
- Extend the County Council's invest to save initiative to cover areas of revenue expenditure.
- Identify, and train where appropriate, officers to drive forward service re-design within departments / across functions.
- Undertake post implementation reviews of service re-design projects to ascertain whether benefits identified in the business case / Cabinet report have been realised.

The sub-group would like to express its thanks to all those who participated in the review.