

EAST AYRSHIRE COUNCIL

CABINET 19 MAY 2010

EFFICIENCY STRATEGY 2011/12 – 2013/14 (SRRB2)

Report by the Executive Director of Finance and Corporate Support

1 PURPOSE OF THE REPORT

To seek Cabinet approval of a strategy to review the Council's Revenue Budget with the aim of continuously driving up efficiency levels and ensuring that resources are applied effectively to achieve the Council's key strategic outcomes.

2. BACKGROUND

- 2.1 The report to Cabinet on 13 January 2010 highlighted an indicative budget gap of £25.2m for the three years 2010/11 to 2012/13 with an indicative gap of £10.0m for each of the financial years 2011/12 and 2012/13. Recent advice from the Scottish Government's Chief Economic Adviser suggests that the position will be similar for 2013/14.
- 2.2 Cabinet has previously determined that a new Strategic Review of the Revenue Budget (SRRB2) should coincide with the next Scottish Government Spending Review which will cover the period 2011/12 to 2013/14. Members will recall that the original SRRB1 exercise identified savings which were redistributed to key priority service areas. This new project will effectively be the Council's Efficiency Strategy to identify options to close the forecast spending gap.
- 2.4 In February 2010 Audit Scotland published the Improving Public Sector Efficiency report which incorporates a checklist to address the financial challenges facing the public sector and Councils in the current economic climate. The checklist identifies three key elements to be included within a fundamental approach to sound financial planning for the years ahead when funding from Government is forecast to be reduced by unprecedented levels. The elements are;
- priority based budgeting and spending;
 - improving information on productivity, efficiency and outcomes;
 - better collaboration and joint working.
- 2.5 The good practice highlighted in the checklist will be used throughout the Efficiency Strategy process to ensure that funding, priorities, performance and outcomes are identified, evaluated and challenged.

3. Efficiency Strategy (SRRB2) – Review Strands

3.1 It is proposed that the project will consist of a series of strands each containing a number of related reviews and details of initial individual review processes to be completed are contained in the following paragraphs.

3.2 Strand No 1 - Business Review Programme

3.2.1 The Business Review Programme undertaken during 2009/10 included reviews which will carry forward and form part of the new Efficiency Strategy. In addition the issues raised by the community and voluntary sector and staff during the 2010/11 Budget Consultation engagement process have been formalised into further business reviews. Lead officers have been nominated to lead the reviews and identify expenditure reductions and efficiencies within each area. Details of the reviews which form the business review programme are shown below.

3.2.2 2009/10 Business Review - Continuation and Completion

Review	Lead Officer
Management structures	Chief Executive/ Head of HR
Procurement	Legal Manager
Clerical/Admin Support Functions across the Council	Head of Resources
Corporate Document Image Processing System	Financial Controller
Social Work Budget Sustainability	Executive Director of ESS
Review of Charging for Services	Head of Leisure

3.2.3 Budget Consultation – Reviews following Budget Consultation

Review	Lead Officer
Transport budget review, including the rationalisation of council vehicles and school transport	Head of FM
Optimise the use of buildings across communities including the school estate and rationalise where appropriate	Head of IT&AM / Head of Schools
Partnership and Joint working options including output from Integrated Resource Framework	Executive Director of ESS
New Procurement Models including employability and Community Benefit arrangements	Head of LPRS / Head of P&ED
Review of printing arrangements, including PR & Marketing	Head of DS
Examine alternative delivery models, Trusts, LLP's	Head of Finance
Review the use of external consultants	Head of IT&AM
Review Scheme of Delegation in schools	Head of Resources
Examine Home Working options	Head of HR
Review of energy efficiency measures	Head of IT&AM
Review of Staffing Efficiency in Schools	Head of Schools
Review of Outdoor Learning	Head of Schools
Review of Arts & Culture	Head of Schools
Review of Adult Literacy	Head of CS
Review of Wraparound Care	Head of CS
Review of Outwith Placements arrangements	Head of CS
Examine areas of Services overlap including Community Learning & Development/ Leisure Services	Head of CS/Head of Leisure

3.3 Strand No 2 - Budget Management and Review

3.3.1 Review of Departmental Budget Lines

An examination of individual budget lines will be undertaken on a service by service basis to establish the nature, purpose and relevance of expenditure transactions within each department. All expenditure will require to be linked in terms of relevance to the Council's themes and key priorities. The examination will include a review of the level and value of orders placed in February and March 2010 compared to previous months.

3.3.2 It is anticipated that these reviews will identify areas for more detailed business reviews at service or sub-service level which will be taken forward by the relevant Heads of Service.

3.4 Strand No 3 - Fairer Scotland Fund Review

3.4.1 Ringfencing of the Fairer Scotland Fund (FSF), was removed in 2009/10.

3.4.2 Although the Fund is no longer ringfenced, the total Fairer Scotland Grant received in 2010/11 has been allocated in line with previous years and projects will be reviewed to ensure that they remain the most effective and efficient way to achieve specific outcomes.

3.4.3 It is proposed that the data gathering aspect of the review will follow the process that was utilised for the review of former specific grants with workbooks being prepared and thereafter completed by the project / departmental monitoring officers and meetings held to examine, discuss and challenge the outcome. The detail of the process is included in a separate report to this meeting.

3.5 Strand No 4 - Budget and Performance Review

3.5.1 Cross Council Budget and Performance Working Group

A working group comprising North Ayrshire, South Ayrshire, Clackmannanshire, East Renfrewshire, South Lanarkshire, Inverclyde, West Dunbartonshire Council has been established to review service budgets and performance. The group will be managed by East Ayrshire Council and the plan of work based on identifying comparative spend and performance and establishing how specific Councils can maintain low cost and high performance in certain services. The outcome of the review is intended to be the reduction in spend whilst not impacting on performance, it is envisaged that Councils will examine opportunities to use the same methods and techniques employed by the best performing/lowest cost Councils. It is intended that this work will identify areas for more detailed business reviews at service or sub-service level which will be taken forward by the relevant Heads of Service.

3.5.2 Internal Performance

This will identify areas within the Council where performance is high compared to other Councils and the information will assist the above Cross Council Budget Performance Working Group to establish internal performance and cost the effects of a managed reduction in service performance. It will also allow a judgement to be made on whether the higher performance is worth any additional expenditure needed to sustain it.

3.6 **Strand No 5 - Workforce Planning Review**

- 3.6.1 The spending reductions resulting from the Efficiency Strategy project will undoubtedly impact on current workforce given the proportion of the budget which salary costs represent. It is proposed, therefore, that plans be developed to manage the reduction of workforce numbers in line with the planned reduction in budget resources over the lifecycle of the Spending Review and beyond.
- 3.6.2 At the same time it will be essential that all employees continue to have opportunities to develop the skills necessary to enable them to be appropriately deployed and to operate at maximum efficiency. A review of current arrangements will be undertaken to ensure that they are able to support and encourage the new ways of working which will emerge from the various review strands.
- 3.6.3 It is proposed that a series of reports containing proposals to achieve these aims be brought to a meeting of the Cabinet before the summer recess

3.7 **Strand No 6 – Continuing Engagement Arrangements**

A new and enhanced consultation and engagement process was introduced in respect of the arrangements for consulting on the 2010/11 draft revenue budget, as detailed below:

Date	Meeting
23 November 2009	Trade Unions
26 November 2009	Community and Voluntary Sector Representatives
14 December 2009	Trade Unions
7 January 2010	Trade Unions
17 January 2010	Community and Voluntary Sector Representatives
21 January 2010	Educational and Social Services Employees
25 January 2010	Chief Executive's Office Employees
26 January 2010	Neighbourhood Services Employees
27 January 2010	Corporate Support Employees
28 January 2010	Trade Unions
25 February 2010	Community and Voluntary Sectors - Feedback

- 3.7.1 All of these meetings resulted in excellent two-way communication and to ensure that we build on and maximise the benefit from our engagement with both our employees and the wider community and voluntary sector, the following proposals are presented for consideration.

Employee Engagement

- 3.7.2 The Chief Executive has requested that Executive Directors meet with representative groups of employees, at least four times per annum. It is therefore proposed that these meetings be utilised to provide

employees with an update on the 2010/11 budget position and to continue the engagement regarding the 2011/12 budget.

- 3.7.3 An opportunity will also be taken to provide employees with an overview of the work being taken forward to review the Community Plan as the Council's corporate plan and discuss any departmental specific topics/issues.
- 3.7.4 In addition to the above targeted employee meetings it is proposed that a special budget edition of E-words be produced twice per annum to coincide with the June and December round of meetings.

Community and Voluntary Sector Engagement

- 3.7.5 A range of meeting were held with the community and voluntary sector to ensure effective consultation and engagement in respect of the development of the 2010/11 revenue budget.
- 3.7.6 Since the February 2010 feedback session with the community and voluntary sector two follow up meetings have been held with representatives of the North Federation of Community Groups and Coalfield Communities Federation to review how effectively the budget consultation process was, from a community and voluntary sector perspective. Federation representatives:
- felt that the overall process was worthwhile and were particularly heartened with the feedback session which they felt demonstrated that some of their points had been taken on board by the Council;
 - felt that it would have been helpful to have the January 2010 session, if possible, a bit earlier in the process, although they recognised that timescales were tight;
 - were keen to hear the outcome/have feedback from the Council on how it was considering/taking forward the issues raised in the afternoon session; and
 - were keen to have a continuing dialogue with the Council on the development of future year's budgets.
- 3.7.7 In response to the above, the proposals for continued consultation and engagement with the community and voluntary sector are summarised below:
- **2010/11 Budget feedback** – A budget bulletin will be prepared and issued to all participants of the 2010/11 process, providing formal feedback on the 2010/11 budget decisions; an update on the planned programme of activity to be taken forward as part of the Efficiency Strategy (SRRB2) and a questionnaire on how representatives would like to be involved in the future.
 - **Continuing the engagement** – To ensure ongoing community and voluntary sector engagement throughout 2010/11, existing Community Planning mechanisms including the Community

Planning Residents' Panel/Local Community Planning Forums and the Equalities Forum/Networks will be utilised, as appropriate, to keep the wider community engaged/updated on budget decisions/development.

- In addition, it is proposed that the work on optimising the use of buildings, including schools, and new procurement models will be taken forward with a relevant and representative sample of community and voluntary sector involvement.
- **Engaging Young People:** A range of well established structures are in place to allow the Council to engage with young people, including Dialogue Youth and the Children and Young Person's Forum. These structures will be used to engage with young people in respect of the 2011/12 budget. In addition, the opportunity to build on the work carried out with students at Kilmarnock College as part of the Community Plan Four-yearly review will also be explored.
- **2011/12 Budget Consultation process** – Based on a similar methodology to the 2010/11 budget consultation process but shaped and developed dependent on the feedback from the questionnaire referred to at paragraph 3.8 bullet point 1.

4. FINANCIAL IMPLICATIONS

- 4.1 The gap of £25.2m identified in the Council's three year budget from 2010/11 to 2012/13 has widened following the confirmation of the effects on Social Work expenditure of forecast demographic changes and a requirement to re-design Children and Families Services which are detailed in a separate report on this agenda. That report includes an additional funding requirement of £5.115m by 2012/13. Assuming that the funding shortfall for 2013/14 will again be £10m, the savings required between 2011/12 and 2013/14 will be in the region of £35m.
- 4.2 The detail of specific financial savings will become clearer as the various strands develop and options are identified. The overall aim is to close the spending gap over the three years 2011/12 to 2013/14.

5. LEGAL / POLICY IMPLICATIONS

- 5.1 Legal and policy implications will be identified as reviews are completed. All service reduction measures identified by the process will be considered and impact assessed in terms of Equality and Human Rights legislation.

6. RISK IMPLICATIONS

- 6.1 Risk implications will be identified as reviews are completed.

7. RECOMMENDATIONS

- 7.1 It is recommended that Cabinet;
- (i) approve the Efficiency Strategy outlined above;
 - (ii) agree the review strands indicated in section 3;
 - (iii) agree that proposals on workforce planning be presented to the Cabinet before the end of June;
 - (iv) approve the proposed arrangements for continuing engagement;
and
 - (v) otherwise note the contents of the report.

Alex McPhee
Executive Director of Finance and Corporate Support
7 May 2010

LIST OF BACKGROUND PAPERS

Improving Public Sector Efficiency – Audit Scotland February 2010

Any person wishing further information should contact
Alex McPhee, Executive Director of Finance and Corporate Support
(Tel 01563 576279).