

WAVERLEY BOROUGH COUNCIL
O&S - CUSTOMER SERVICE AND VFM
22/01/2018

Title:

BUDGET STRATEGY WORKING GROUP – SUB GROUP OPTIONS

[Portfolio Holder: Cllr Ged Hall]
[Wards Affected: ALL]

Summary and purpose:

At its 30 October 2017 meeting, the Customer Service and VFM Overview & Scrutiny committee agreed in principle to establish a Budget Strategy Working Group in order to drive forward the Medium Term Financial Plan (MTFP) initiatives agreed at the July 2017 Executive. This group will drill down into areas identified for detailed examination to make recommendations to the Executive on budget and policy issues that will add more strategic value than focusing on ad hoc service budget scrutiny. Officers were asked to identify specific topics that could be presented to O&S for further investigation. This report sets out those suggested areas to review.

How this report relates to the Council's Corporate Priorities:

This report supports all the Council's priorities.

Financial Implications:

Detailed within the report.

Legal Implications:

The Council has a legal obligation to set a balanced budget.

Introduction

At the 11 September 2017 meeting, the committee commented that although the Medium Term Financial Plan (MTFP) included a set of initiatives to resolve the projected budget shortfall, these only highlighted the problems facing the Council and didn't necessarily point to the solution. The committee passed comment that in order to address the projected shortfall a radical re-think of how services are delivered is required which also needs to be in the context of a longer term financial strategy, not just limited to the next three years.

At its 30 October 2017 meeting the committee heard that the MTFP included the following schedule of actions to address the projected budget shortfall and were also informed of specific initiatives underpinning these actions:

Key Financial Plan Actions to address the projected budget shortfall

- Continue the budget challenge process to ensure budgets deliver good value for money and are aligned to Corporate Plan priorities.
- Support Service Managers to manage finances effectively.
- Cross service efficiency programme to be developed.
- Maximise invest to save opportunities to generate income, improve processes and/or make savings.
- Review procurement methods and contracts to identify efficiencies and cost savings including agency staff.
- Maximise income from fees and charges and property.
- Secure new funding opportunities to help deliver priority services and projects.
- Model and monitor sensitivities on key budget areas e.g. inflation and interest, council tax and business rates.
- Achieve social inclusion and providing accessible, affordable services for the Borough's most vulnerable residents.
- Optimising return on cash surplus in times of low interest rates, balancing security, liquidity and return.
- Develop Waverley's borrowing strategy further for General Fund Capital to enable more investment.
- Utilise General Fund and HRA asset strategies including disposals and acquisitions, including the Investment Advisory Board programme.
- Rigorously test all capital proposals for relevance, timeliness and deliverability.
- Review the outcome of the Economic Strategy alongside the emerging Local Plan in relation to Waverley's business rate income.

Specific budget strategy themes for addressing the projected budget shortfall as presented in the Member briefings in September 2017:

MTFP savings initiatives over 3 year period 2018-21	£'000
General Fund procurement saving	100
Efficiency savings / customer service	500
Income from fees and charges	300
Net property income after borrowing cost	500
Reduce core capital funding	100
Council tax increase of £5 at band D each year	800
Total initiatives:	2,300
Further savings to be identified	465
Total 3 year budget shortfall:	2,765

The Head of Finance requested that the committee provide valuable strategic oversight capacity to support the delivery of these initiatives, through an O&S Budget Strategy Working Group.

The committee agreed in principle to establish this group with the following terms of reference to oversee the MTFP initiatives and address the problems facing the

Council in the context of its longer term financial strategy by adopting the following terms of reference.

Terms of reference:

- Examine and provide input into the development of projects to deliver the MTFP initiatives
- Help develop a strategy which shifts the emphasis away from a pure 'financial savings targets' towards a wider 'business change' agenda
- Ensure future service reviews and decisions are taken within the widest context of the Council's vision, corporate objectives and MTFP
- Monitor the development and delivery of an action list against objectives relating to income, savings and efficiencies and report progress to the Executive
- Review the process used to translate the implementation of initiatives into the budget

The Head of Finance suggests as a first initiative, that the group undertake a commitment as its core remit to provide a continuous overview on the development and achievement of the Heads of Service action plans to achieve the three year savings targets in respect:

- Efficiency savings / customer service
- General Fund procurement saving

For information (Exempt) Annexe 1 is the establishment base data (Efficiency) and Annexe 2 is the procurement base data used to scope the savings targets.

At the 30 October meeting the committee requested Officers to identify specific topics suitable to form "Task and Finish" sub groups that will enable Members and Officers to work closely together to find wider solutions to the challenges faced including a radical re-think of how services are delivered in the context of a longer term financial strategy, not just over the next three years.

Proposed sub group work streams

The work of the sub groups will achieve maximum value if they strategically support the MTFP initiatives. The best support strategy to adopt is one that investigates the reduction of costs through efficiency measures (doing better) and divesting services (doing less) alongside a transformation programme of "doing things differently" and "doing different things". The objective being to deliver a mix of quick wins whilst working on longer term outcomes.

The following suggested sub group work aligns with the committee's views on future actions and timeframes, and will enable the committee to address all four aspects in the strategy discussed above.

1. Assessment of Council services (what they do and why) and the relationship with statutory, mandatory, political and legal compliance. Are services recovering their costs where ever possible?

The objective is to understand service provision in terms of statutory/mandatory and discretionary and apply this knowledge in a review of fees and charges, including the impact of charging for services.

The definition of statutory/discretionary is difficult to define and apply consistently. Developing an initial short criteria giving clarification of the meaning of statutory/mandatory (i.e. if it is not provided, the Council would be legally challenged) will be useful. Note that whilst some functions are not statutory their removal could have legal risk implications.

The sub group could undertake this task through desk top research with Officers from each service, collating the information in the form of a matrix, identifying where the need for the service is expressed i.e. in statute, Council's constitution, political etc.

Working with Officers, Members could identify and collate the service metrics, identifying the minimum level of service for each area and what element could be considered discretionary. Where there is a statutory requirement, identify how much control the Council has over provision, clarifying whether it is express or implied by statute or constitution etc. Alongside this work, it will be useful to identify discretionary powers available to the Council that are currently not being used, such as running a local lottery and setting up Business Rates Improvement Districts (BIDS) to provide discretionary services.

Using the information available, determine what element of discretionary services are "preventative" in nature (services enabling further demand avoidance to other Council services or other agencies) and identify the impact that removing, reducing or charging would have on the Council's cost of service.

Where service provision is discretionary, challenge the reasons/benefits for the Council. Effectively, determine the Value for Money of these services against the corporate priorities and the Council's responsibilities. What scope is there to re-establish the Council's relationship with the residents of the borough to align with the Council's intended provision?

The Council's scheme of Fees and Charges is not supported by an overarching "Charging Policy Framework" to recover cost of service wherever possible. Developing this document will provide services with clear guidance and consistency as well as an effective charging strategy, including clarity in the circumstances where the Council will provide concessions, subsidies or waive charges.

The outcome of the discretionary/mandatory review of services will facilitate the development of the "Charging Policy Framework" followed by a review of the current approved fees and charges to identify all opportunities for the Council to recover the full cost of service and maximise income.

2. Demand management: who decides the level of service provision, what determines the amount of service capacity and is provision and capacity matched? Where are the opportunities for “channel shift” and improved service efficiency, and where does the Council need to redefine or renew its relationship with citizen’s expectations?

Demand management requires the Council to proactively focus on the needs of the user and not the service. Resource prioritisation is more effective and strategic if the Council knows what services local people really require and focus service delivery on outcomes for clients that are in their best interests.

Business intelligence is key to successful demand management. There is a wealth of information already held across the services and research is needed to identify what information is missing about client’s current and future requirements and expectations. Collectively, this can be used to build up an accurate picture to prioritise future service development and clearly identify outcomes for clients.

Effective control of cost and outcomes requires a clear understanding of what and who decides the level of service provision in each service. Research is required to identify demand on services that may be avoidable or preventable. Access to services should be positioned as a place of last resort for users whose needs cannot be met more effectively at an early stage elsewhere, such as online access to transactional information sharing and signposting clients to receive help in early intervention for debt management.

Investigation is needed to understand how to change the relationship between the Council’s services and the service users to ensure their needs are met in a strategic fashion which brings outcomes to the fore and ensure that costs are minimised and where possible shared between the Council and other stakeholders.

A better understanding of demand management is the key to enabling a radical rethink about how the Council delivers services including partnership working with other local authorities, housing associations, joint venture working and closer working alliances with other agencies and voluntary sector.

Working with Officers, Members could explore ways of seeking to manage demand include reviewing services to establish the opportunities for:

- client self service capabilities – coordinating community activities such as litter picking, woodland projects, easier IT access for transactions and information sharing using smart phone and internet media.
- commissioning service providers on a payment by results basis such as voluntary sector organisations
- standardising and simplifying operational procedures to reduce complexity
- a more holistic perspective to reduce silo service delivery, be more flexible, scalable and respond to changing circumstances
- Where are the opportunities for partnership working with other stakeholders, new alliances and commercially based service delivery models?

3. Where are the opportunities to improve value for money in what is procured and ensure delivery once it is procured? How does the Council ensure project execution is effective and continues to add and realise value during and post implementation?

There is already a strong emphasis on improving procurement at the Council. A procurement specialist has been employed, the Procurement Procedure Rules and Financial Regulations have been re-written, a procurement governance group is operating effectively, and the financial management system “Agresso” has been enhanced with purchase ordering and commitment accounting, the “Intend” procurement web portal is well established. Establishing this sound fit for purpose administration and governance is just the start. Work is now needed on the detail of what is procured, how and why.

Maintaining and realising the value for money secured through effective procurement is equally important to ensure the value chain is not compromised. Effective project execution is a key aspect in ensuring the value added is not compromised in the delivery. How does the Council approach project execution and ensure consistency and where are the opportunities for improvement?

The Council’s General Fund incurs £14m on non salary expenditure. To improve value for money it is important to gain an understanding of the proportion of expenditure that is reactive compared to planned expenditure, the “value added impact” of the expenditure and also the quality of the procurement governance applied.

In addition to direct service provision expenditure, a significant amount of General Fund expenditure is incurred through third parties such as the voluntary sector. The Council provides assistance through direct grant (some under service level agreement), rent reduction grants and business rates relief. The Council does not have an overarching strategy linking this significant expenditure to the Council’s priority outcomes. It is recommended that a review of how value for money and maximising the benefit to the Council is achieved, and to identify how and what the Council can do to assist the voluntary organisations to be more self sufficient and deliver outcomes for clients in line with the Council’s priorities.

4. How can the Council improve its people resource and asset utilisation? What are the benefits to be realised?

The Council’s administrative base for all service delivery is the Burys. Office space, car parking, essential car use allowance and a mileage rate (which is in line with the NJC rates but is significantly above the HMRC rate) are provided to support the traditional model of office based services. The Burys is a valuable asset with on-site staff car parking including the Wharf car park as overspill.

Recruitment for this council (and other Surrey Authorities) of some roles is proving to be challenging due to salary and geographic location. Benchmarking shows some of the professional salaries are below current market alignment and administrative salaries restrict commuting. The Council is responding to these challenges through

benchmarking and the application of market supplements. The Council's current pay structure includes increments on a pay scale which is adjusted annually by any pay award agreed through the JNC.

People's remote working expectations have changed with current technology and most services no longer need office based staff. Whilst the Council promotes a flexible work/life balance through various policies, a remote working performance based culture has been slow to develop.

How can a new culture be created? Funding a different model such as performance management/performance related pay is challenging, how can the pay structure be adapted and funded, what process is needed in the longer term? How do the current policies contribute to the central service based culture, what needs to change to promote a more agile workforce? How much are the current policies costing the Council in overhead and lost development opportunity?

Conclusion

The proposals in this report provide a valuable opportunity for the Value for Money and Customer Service O&S committee to maximise its strategic impact in assisting the Executive to radically re-think how services are delivered and address the projected shortfall in the context of a longer term financial strategy.

Recommendation

It is recommended that the Value for Money and Customer Service Overview and Scrutiny Committee:

1. Becomes the coordinating committee for progressing the Budget Strategy Working Group topics;
2. Consults with the other O&S committees to agree the membership of the ongoing Budget Strategy Working Group to provide a continuous overview on the development and achievement of Procurement and Establishment savings targets action plans;
3. Agrees a sub group work programme to undertake the "Task and Finish" reviews adopted from the suggested topics; and
4. Agrees how many subgroups are required and allocate the work to the "task and Finish" subgroups.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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