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Overview and Scrutiny Select Committee

Thursday, 28 March 2024 at 7.30 pm

Committee Room - Civic Centre

Supplementary Agenda

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Report title	Approach to Financial Sustainability – Progress Report
Report author	Amanda Fahey, Assistant Chief Executive & s151 officer
Department	Corporate Leadership Team
Exempt?	No
Exemption type	Not applicable
Reasons for exemption	Not applicable

Purpose of report:

- **For information**

Synopsis of report:

This report provides an update on progress against the measures set out in the report “Approach to Financial Sustainability - Savings, income generation and efficiency process” which was considered by Corporate Management Committee in July and Sept 2023 and approved for implementation by Full Council in October 2023.

1. Context and background of report

- 1.1 In July 2023, a report was considered by the Corporate Management Committee (CMC) that provided an update to the actions set out in the Medium-Term Financial Strategy approved by Full Council in February 2023. The aim of these measures over the medium term being to reduce reliance on working balances to meet budget shortfalls and build capacity within the general revenue fund to support capital spending, enabling the Council to meet its strategic objectives.
- 1.2 As part of this update, the report set out a process for the identification and delivery of savings, income generation opportunities and efficiencies alongside proposals to increase the level of transfers to existing earmarked reserves and to create two new reserves, designed to underpin the Council’s financial sustainability.
- 1.3 The proposed changes to reserves were approved in principle, and subsequently confirmed in the Provisional Outturn Report for 2023 reported to CMC in September 2023. The key proposal was for the creation of a Service Transformation Reserve of £1m, to be ring-fenced to pump-prime invest-to-save initiatives. This reserve will support set up costs or short-term resource requirements such as consultancy costs, ICT equipment, vehicle purchase etc. and will not be used for any on-going costs. Expenditure over £10k from the Fund will only be released on approval of a business case by Members, whereas funds below £10k can be released with the approval of the Assistant Chief Executive (s151), aligned with normal virement rules within the Financial Regulations. Use of the Fund is to be scrutinised by the Overview and Scrutiny Select Committee alongside delivery of the savings programme. It is

anticipated that this will be sufficient to cover initiatives over the medium term and will be regularly reviewed as part of the annual financial reporting processes, Should the programme not require this level of resource then funds can simply be released back to working balances. Equally, if additional funds are required, this would need to be considered by Members and set aside from budget underspends.

- 1.4 A process for the identification and delivery of net budget savings, including proposals for a series of service reviews, was recommended to Full Council for consideration on 20th July, where further debate took place resulting in a revised process being adopted by Full Council in October 2023, which included a role for Service Committees when considering the outcomes of those reviews.
- 1.5 The Overview and Scrutiny Select Committee was tasked with the oversight of the delivery of the programme of service reviews; savings, income generation and efficiencies; and the associated costs. This report provides the first progress update for the Committee.

2 Programme Update : Service Reviews

- 2.1 The use of service reviews is not new to the Council and so the existing process was reviewed and refined rather than being reinvented. The review process uses key principles of service design and project management methodology to support it and is split into the following phases as part of a continuous improvement cycle:

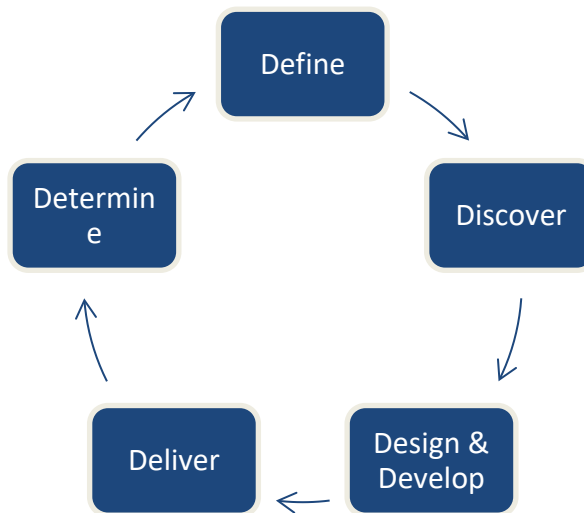
Define – what is the scope of the review, what areas will be specifically looked at, who needs to be involved, what will happen when

Discover – what happens now, what processes are in place, what are the strengths and weaknesses, how do other Local Authorities operate, what feedback is available from staff, current staffing levels, resource peaks/troughs/pinch points

Design or Develop – what can be improved and how, develop prototypes, ask our clients/customers/staff for input to co-design, develop new improved processes, innovate, and push the boundaries

Deliver – bringing findings together, proposing recommendations, setting next steps, develop business cases, plan implementation, move to project management phase, monitor and report on projects, service areas deliver projects

Determine – lessons learned, evaluate impact, measure success, review and revise methodology



2.2 As a first step, the Assistant Chief Executive (s151), supported by the Head of Business Planning, Projects and Performance and members of the Project Management Office, held “spark” sessions with all Corporate Heads of Service and a small selection of other staff from across the Council, to seek views on areas where service reviews might be of value.

2.3 Conversations continued throughout the business planning and budget preparation process for 2024/25 including seeking feedback from Members during all-member budget sessions and finance briefing sessions. The Corporate Leadership Team reviewed the “long list” on several occasions from which an initial set of reviews were chosen. Several factors went into the selection of the first reviews in this restart of the Service Review programme including staff resources; not overloading any one service area at a time; considering reviews that might cover the full range of potential outcomes i.e. savings, income generation and efficiency.

The initial set of reviews underway are:

- Safer Runnymede
- Community Transport
- Corporate Complaints
- Trade Waste

2.4 An officer group has been set up to oversee progress and co-ordinate reporting to the Service Review, Communication and Transformation Member Working Party in line with the governance arrangements approved by Full Council.

2.5 The Member Working Party has met 4 times (September, October, January, and March) and has received an update on progress with service reviews at each of its meetings, providing input and challenge to the process. It is not intended to duplicate here the reporting to the Working Party but to assure the Committee that work is progressing with the necessary level of oversight. A summary of each review is set out below:

Safer Runnymede

The scope of the review is focused on the following key areas;

- Better understanding of the costs, risks and opportunities in respect of the letting of contracts for CCTV monitoring;

- Understanding the costs and benefits of non-core services that Safer Runnymede provide for other Council areas;
- Addressing key risks in the current service delivery model.

Work to date has been focused on the first of these items resulting in detailed unit cost analysis and proposed improvement to contract management including detailed spares inventory and equipment replacement plan.

Community Transport

Full review of service provision in response to changing environment and needs of residents / customers including responding to Surrey County Council's Demand Responsive Transport plans, the potential for electric vehicle provision, and responding to market opportunities.

Corporate Complaints

The main aim of the review is to develop an improved internal process for the tackling of complaints received by the Council to ensure timely and appropriate responses are made and that data is used to drive improvement. This will include aligning processes with the new joint Complaints Code from the Local Government and Social Care Ombudsman and the Housing Ombudsman.

Trade Waste Review

Understanding the existing service provision, including unit costs, customer data and capacity, to maximise the potential income from existing resources. Further stages may take place once route optimisation software has been launched.

3 Programme Update: Savings, income generation and efficiencies

- 3.1 The initial "spark" sessions mentioned in the previous section of this report, were also designed to capture ideas about savings, income generation, efficiencies, and opportunities for cost avoidance. Ideas were reviewed in the first instance by the Corporate Leadership Team to indicate where they could simply be implemented and included in the budget preparation for 2024/25 or whether more work was required such as the development of a full business case for consideration by Members.
- 3.2 As a result of this work, several adjustments were included in the Medium-Term Financial Forecast which was updated alongside the 2024/25 budget preparation and are therefore already taken account of in the latest financial forecast. This includes a raft of small adjustments produced from a budget challenge exercise with Corporate Heads of Service who were challenged to reduce their non-salary, non-contractual budget lines. This exercise produced £365k of savings which were incorporated in the budget approved in February by Full Council, some of which would have been items originally raised as part of the "spark" sessions.
- 3.3 Some other items have been delivered through decisions made at Committees such as the review of Council Tax discounts and premiums in respect of empty properties (approved by CMC and Full Council in December and February respectively) and a proposal around Financial Inclusion and Housing Benefit Overpayment Recovery (also approved by CMC in December) which proposed a compassionate approach to debt recovery, working collaboratively across service areas to enable the Council to effectively recover monies owed whilst continuing to support vulnerable customers.
- 3.4 It is worth noting at this point, the Council's approach to the inclusion of savings in its financial forecasts. The Council takes a prudent approach by only including those savings that it is confident of delivering, and once they have gone through any

necessary Member approval. This means a strong focus is maintained on the budget gap which the Council is seeking to close, rather than assuming the delivery of savings that may still require detailed business case analysis to demonstrate their achievability, need Member approval for a change to policy or process or, like the Financial Inclusion proposal above, are subject to the results of a pilot exercise to determine the level of success of the project and the actual savings achieved.

- 3.5 As referred to in paragraph 1.2, some proposals may require pump priming where an initial investment is required to enable the saving to be realised. This will be set out in the relevant business case or approved by the Assistant Chief Executive (s151) for smaller amounts, as outlined in the original report, and will be funded from the Service Transformation Reserve, specifically set aside for this purpose.
- 3.6 As part of the 2024/25 budget, Members approved the removal of £1m of salary budget from the financial estimates. This was not in the expectation of job losses but would be achieved by the realignment of budgets, including the vacancy factor percentage, with the Council's Establishment list. This was felt to be achievable due to the consistent year on year underspend against salary budgets reported at each outturn. Work is taking place to reconcile the Council's Establishment list with its salary budgets and to meet with each Corporate Head of Service to interrogate this data and understand what is driving these significant underspends, over and above any anticipated vacancy factor that is already built into the estimates. This exercise is expected to show where salary budgets can be reduced to reflect the actual employment costs of the Council. These meetings are currently being set up so that this element of the workstream can be progressed over the next few months.
- 3.7 Alongside this, a second set of budget challenge meetings is being arranged to review the savings, income generation and efficiency proposals already offered in the initial spark sessions, to review progress, set timescales for reports to Members and to generate further ideas.

4 Programme Update: Governance

- 4.1 While work on the above measures to improve the Council's financial sustainability is on-going, the receipt of a non-statutory Best Value Notice from the Department for Levelling Up, Housing and Communities in December, has resulted in an overarching programme to deliver the Council's response to the Notice. The workstreams for Service Reviews, savings, income generation and efficiency and the establishment review, which were already under way prior to the receipt of the Notice, now all form inter-dependent workstreams which will report by exception to the Best Value Programme Board. The Programme Charter and the workstream descriptions were included in a report to CMC in February 2024.
- 4.2 Further improvements to the governance arrangements for service reviews and the delivery of savings, have been made by setting out a programme charter for these workstreams; agreeing Terms of Reference for the officer groups involved; using an action tracker to report progress to the programme board and consider milestones and outcomes, timescales and risks, and by also encompassing digital transformation meetings to ensure that the benefits of digital transformation are captured and reported and that good practice is shared across the organisation.

5 Policy framework implications

- 5.1 The Medium-Term Financial Strategy, which is required to be adopted by Full Council, is an important part of the budgetary framework of the Council, highlighting

financial risks, and providing a framework to deliver a sustainable financial position to enable the Council to achieve its strategic objectives. This report provides an update on actions taken under the approved Strategy and as set out in the process approved in the report “Approach to Financial Sustainability - Savings, income generation and efficiency process”.

6 Resource implications/Value for Money

- 6.1 The workstreams reported on in this report are essential to the delivery of the future financial sustainability of the Council. Whilst manageable, the projected budget gap of £5.2m by the close of 2026/27 needs to be addressed in a timely manner so that net budget reductions can be included in the next iteration of the financial forecast, and that the anticipated draw on revenue balances over the next few years is reduced.
- 6.2 The “target” for savings will constantly change as other assumptions within the budget forecasts are amended, inflation expectations may alter as the national economy changes, commercial income may rise or fall dependent on market forces, age of property, requirements of tenants etc. Costs will vary as assets require repair or replacement. It can therefore be difficult to track savings against a fixed “budget gap” as this figure will vary year on year and savings achieved may be eroded by other pressures or be used to offset growth in response to demand for services.
- 6.3 Nevertheless, monitoring the delivery of the overall savings programme and the elements described in this report, is necessary to understand the efforts being made to manage the Council’s budget and ensure it can continue to deliver essential services to its residents into the future.
- 6.4 A summary of the savings delivered to date under this programme are set out in Appendix A. This shows that approximately £1.15m of net budget reductions were identified in the initial stages of the processes set out in this report (excluding the £1m savings expected from the Establishment reconciliation work). This figure rises to £1.18m in future years as the full year effect of some of the changes are higher than that achieved in the first year.
- 6.5 These savings were included in the updated financial forecast contained within the 2024/25 budget report approved in February 2024. This is in part why the forecast improved significantly from that originally set out in the Medium-Term Financial Strategy in December 2023. Savings delivered from this point on will be set against the projected £5.2m budget gap forecast in February 2024, spanning the period to the close of 2026/27.
- 6.6 A further £1.1m of potential budget reductions were identified in the spark sessions which will be followed up in the next set of meetings, to explore the production of business cases to progress to delivery, alongside the identification of other ideas. As noted in previous reports, this is an iterative process, where tranches of savings will be identified, reviewed for likelihood of delivery, and brought forward for necessary approvals, before being “banked” as delivered.
- 6.7 Appendix B sets out the approved use to date of the Service Transformation Reserve in support of invest-to-save initiatives and the Council’s non-statutory Best Value Notice Programme.

7 Legal implications

7.1 Section 151 of the Local Government Act 1972 requires local authorities to plan for the proper administration of their financial affairs.

8 Equality implications

8.1 Equality Impact Assessments will be undertaken, where appropriate, for any new schemes considered as part of these initiatives to enable comprehensive assessments to be undertaken where necessary.

9 Environmental/Sustainability/Biodiversity implications

9.1 Any environmental, sustainability or bio-diversity implications will be considered as part of the business cases for initiatives as they come forward.

10 Risk

10.1 The measures referred to in this report are designed to mitigate financial risk to the Council and assist in the efficient, effective, and economic delivery of its services. If the process is delayed, there is a risk that the Council will not achieve the net budget reductions required to ensure its longer-term financial stability and sustainability.

10.2 Risk to the programme could stem from lack of resources, including the capacity and capability to identify projects and initiatives, and realise net budget reductions. A programme risk register will be developed to monitor and mitigate against risks to delivery.

11 Other implications

11.1 Where business cases are developed for significant savings initiatives or where the outcomes of service reviews are presented to the relevant service committee, other corporate implications may need to be addressed depending on the project, being developed such as the need for procurement advice, consultation, or data protection issues, for example.

12 Timetable for implementation

12.1 The Council's current projected savings requirement is £5.2m by the close of 2026/27. While there is no requirement for additional savings above those already included in the MTFS in 2024/25, 2025/26 has a projected shortfall of some £1.5m by the year end, with a further gap of £3.7m in 2026/27. Sufficient initiatives need to be delivered over the next 12 months to ensure that, as a minimum, £1.5m can be removed from budgets at the start of 2025/26 with the balance delivered during 2025/26. These numbers would of course be affected by any additional budgetary growth, so we maintain the presumption against growth in year or during the budget setting process for the life of the current Medium Term Financial Forecast. To reinforce this point, the financial strategy includes the assumption that no growth will be approved, unless critical to service delivery of a statutory service, and that any such growth will be met from either external resource, such as grant funding, or from the reprioritisation of existing budgets.

13 Conclusions

13.1 Much work has been done to put in place the processes and governance to ensure delivery of the various workstreams related to the Council's approach to financial

sustainability. Each workstream is progressing, and now has the additional oversight of feeding into the Council's non-statutory Best Value Notice response programme.

- 13.2 Savings were achieved during the preparation for the 2024/25 budget (refer to Appendix A) and will continue to be delivered throughout the coming year as the programme develops. Regular reporting on the progress of the programme and the achievement of budget reductions will continue to be made to the Overview and Scrutiny Select Committee.
- 13.3 Use of the Service Transformation Fund will also be reported to the Committee with spend to date against the Fund set out in Appendix B.

14 Background papers

[Agenda Supplement for Corporate Management Committee, 13/07/2023](#)
[Minutes of Full Council meeting, 20/07/2023](#)
[Agenda Document for Corporate Management Committee, 14/09/2023](#)
[Minutes of Full Council meeting, 19/10/2023](#)

15 Appendices

Appendix A – Savings achieved
Appendix B – Use of the Service Transformation Fund

Appendix A

Savings tracker - Savings delivered and removed from estimates prior to 2024/25 budget setting.

Service	Description	Actual Saving in 2024/25 £s	Actual Saving in 2025/26 £s	Actual Saving in 2026/27 £s
Community Services	Delete remaining vacant 11hrs of an established post that will not be recruited to.	10,000	10,000	10,000
Customer, Digital & Collection Services	'Document exchange' service is no longer required - contract will not be renewed	1,200	1,284	1,284
Environmental Services	On-going income line not previously reflected in budget due to potential for withdrawal now included	95,000	95,000	95,000
Planning and Economic Development	Net savings following amalgamation of two service areas to form the Planning, Economy and Built Environment service.	35,000	45,000	45,000
Planning and Economic Development	National planning fee uplift announced by government	298,000	298,000	298,000
Environmental Services	Postage costs saved through moving 82% of garden waste payments online in 2023/24	1,800	1,800	1,800
Customer, Digital & Collection Services	Mini review of Digital Services staffing	22,000	22,000	22,000
Customer, Digital & Collection Services	Removal of Royal Mail Timed delivery service	5,000	5,000	5,000
Customer, Digital & Collection Services	British Legion Car Park Lease changes as approved at Environment and Sustainability Committee in June 2023	20,000	20,000	20,000
Corporate initiatives	Using sponsorship opportunities to reduce the net cost of awards evenings held by RBC	8,000	8,000	8,000
Financial Services	Switch to Gov Pay for online payments	13,000	25,000	25,000
Corporate initiatives	Budget challenge exercise across all services on non-salary /non-contractual budget headings	365,013	365,013	365,013
Corporate initiatives	Additional savings in 24/25 budget setting identified during reconciliation of detailed budgets, mainly through reduced inflation and other minor adjustments	69,380	77,380	77,380
Corporate initiatives	Review of recharges to the Housing Revenue Account following identification of previous undercharging	210,000	210,000	210,000
Total		14 1,153,393	1,183,477	1,183,477

Appendix B

Service Transformation Reserve:

Item	Description of recommendation	Revenue £	Capital £	Total £	Committee Approval
Growth for a 1 year fixed term appointment to support HBO debt/ financial inclusion project.	To approve a supplementary estimate of approximately £50,000, to employ a dedicated resource to undertake a more corporate approach to debt recovery whilst having regard to a person's propensity to pay, to be funded from the Service Transformation Reserve	50,000		50,000	Dec 23 CMC
Welfare debt software	Committee approve the business case for Welfare Support and Corporate Debt Software and to release the £20,000 provision set aside in the capital programme to procure the specialist software systems to access third party financial information to maximise collection of monies owed to the Council, to be funded from the Service Transformation Reserve.		20,000	20,000	Dec 23 CMC
N-S BVN programme expenditure	To approve the use of the Service Transformation earmarked reserve to fund expenditure arising from the non-statutory Best Value Notice response work programme	125,000		125,000	Feb 24 CMC

	£	£	£
Opening Balance:			1,000,000
Total allocated to date:	175,000	20,000	195,000
Projected Closing balance:			<u><u>805,000</u></u>