

## SCRUTINY BUDGET WORKING GROUP

### SUMMARY OF MAIN ISSUES WHICH HAVE ARISEN FROM DISCUSSIONS WITH SERVICE CHIEF OFFICERS

#### 1. SERVICE DIRECT

##### DISCUSSION WITH BRIAN TENNANT, DIRECTOR OF SERVICE DIRECT 27<sup>TH</sup> JULY 2005

- 1.1 The Director explained the history of the Council's in-house organisation which had seen many changes over the years including compulsory competitive tendering and the impact of the transfer of undertakings regulations. The benefits of an in-house facility were explained.
- 1.2 The Director drew attention to the turnover last year which was in excess of £47 million. There were particular difficulties in relation to catering and cleaning as a result of the impact of equal pay claims on the wage bill.
- 1.3 The Service had provided a sum of £445,000 last financial year to assist with corporate priorities.
- 1.4 The main issue for the Service was a review of its current direction both in the light of changing commercial circumstances but also the new powers provided by recent legislation to increase trading opportunities.
- 1.5 **The Service continues to provide a surplus which is helpful to the authority in addressing its financial pressures. The Budget Working Group recognises that the Service is at an important stage in its development but it hopes that it would continue to be able to provide a surplus to assist in the next Budget process.**

#### 2. CULTURE AND LEISURE SERVICE

##### DISCUSSIONS WITH PATRICK CONWAY, DIRECTOR OF CULTURE AND LEISURE SERVICES – 31<sup>ST</sup> AUGUST 2005

- 2.1 The Director explained the elements of the Culture and Leisure Services' budget. The gross revenue budget for the Service is 2005/6 is £11.8 million. The net budget, after taking into account income, is £10.45 million.
- 2.2 The savings identified for 2005/6 amount to £15,000. There had been a transfer of about £54,000 last year in relation to tourism interpretation.

- 2.3 The Chartered Institute of Public Finance and Accountants estimates for 2004/5 suggest that Durham spends significantly less on library materials than the average shire council. Premises costs are also higher and computing costs appear to be significantly higher than the average.
- 2.4 About £550,000 per annum was spent in grants to outside organisations. These grants were supported by a variety of service level agreements. The main grant was approximately £450,000 to Bowes Museum.
- 2.5 To achieve the full public library standards would require an additional sum of about £280,000 per annum. It was noted that public library standards had been a growth item for a number of years.
- 2.6 The other significant growth area was in relation to Hardwick Park where a net sum of £450,000 had been proposed to operate the extension to this facility.
- 2.7 **One important issue for consideration is whether the additional expenditure to meet the full public library standards is a high priority and, if so, how this could be delivered.**

### **3. ENVIRONMENT SERVICES**

#### **DISCUSSION WITH DAVID MILLER, ACTING DIRECTOR OF ENVIRONMENT 8<sup>TH</sup> SEPTEMBER 2005**

- 3.1 The Acting Director explained that he had been appointed in a temporary capacity to lead the Environment Service. The Environment Service revenue budget was in the region of £77 million.
- 3.2 The Service had significantly under-spent in 2004/5. This had been beneficial to the Council but had not been a 'planned outcome'. The Acting Director indicated that it was unlikely that there would be a similar under-spend this financial year.
- 3.3 In terms of savings, the Service had contributed about £1.1 million for corporate priorities. The Acting Director indicated that he saw this more in terms of cuts than savings but this was the only way to deliver the corporate requirement.
- 3.4 The Waste Permit System had resulted in a greater than expected saving of £220,000. It remained to be seen whether this level of saving could be maintained.
- 3.5 Whilst there was some evidence of 'Gershon efficiency savings', bearing in mind that a significant under-spend took place last year, it may be that further efficiency savings can be pursued.

- 3.6 In relation to grants to outside bodies, the working group wishes to encourage the introduction of service level agreements for all outside bodies who are provided funding.
- 3.7 Going forward, the issue of waste disposal costs and landfill tax will become increasingly important although the increase in landfill tax for 2006/7 has been taken into account in the medium term financial plan.

## 4. CORPORATE SERVICES

### DISCUSSION WITH ANDREW NORTH, DEPUTY CHIEF EXECUTIVE (CORPORATE SERVICES) – 23<sup>RD</sup> SEPTEMBER 2005

- 4.1 The Deputy Chief Executive explained the services which came within the remit of Corporate Services. The revenue budget of this Service was approximately £28 million. The issue of the Audit Commission's Value for Money assessment of the authority as high spending compared to other County Councils in relation to Central Service costs was discussed. Some additional funds had been applied centrally to support the Pension Fund. The authority was aware of the comparative information in seeking continuous improvement.
- The working group was encouraged to:
    - Ask the Treasurer's Service how it compared with other similar services.
    - Ask Customer Services how it compared with other Services and seek information about strategic policy issues and delivery.
    - Seek further information about how virement was operating.
- 4.2 The majority of cash savings from the best value review of support services, £2.8 million out of £4 million, would arise as a result of the Strategic Alliance arrangements rather than directly from the review.
- 4.3 Gershon savings in the efficiency statement for Corporate Services were mainly from capital receipts.
- 4.4 The Council had exceeded its 'Gershon targets'. However, there could be a danger of complacency in that, as capital receipts and the Strategic Alliance savings have delivered significant sums, the incentive to deliver more savings might be relaxed.
- 4.5 **The Scrutiny members still wish to see more innovation in relation to efficiency savings to fund investment priorities and to contain Council Tax increases. There also is a need to consider a human resources strategy to address the approach to new ways of working including the use of IT and the imminent reorganisation of services.**

4.6 The following additional issues were discussed.

- The suggestion of a 'freeze' on appointments or a stringent review before vacant posts are filled where there are implications for the imminent re-organisations as a result of the establishment of the Adult and Children's Services.
- The impact of tax in relation to equal pay claims is also a significant issue which might have implications for a future budget. Similarly, the outcome of the job evaluation review and any financial implications is still unknown. These issues made future financial planning particularly difficult.

## 5. EDUCATION SERVICE

### DISCUSSION WITH THE DIRECTOR OF EDUCATION – 6<sup>TH</sup> OCTOBER 2005

- 5.1 The Director explained the remit of the Education Service. Overall spending on the Education Service this year was approximately £308 million. The majority of this expenditure was delegated to schools (£251 million). The Budget directly under the control of the Council was about £37.5 million. It was noted that the Audit Commission had, in its value for money profile, identified the Council as spending in the upper quartile in relation to Education Services (with the exception of youth and community expenditure). The Director explained the reasons why there was a need to treat Education as a priority for spending. He also provided further information about comparisons with other authorities to demonstrate value for money for County Durham residents.
- 5.2 There will be major changes affecting the Service in 2006 relating to the establishment of a Children's Service and Adult Services. The financial implications of these changes would not be clear for some time.
- 5.3 In discussions with the Director, it was clear that the possible savings for 2006/7 from a review of school transport policies estimated at £950,000 would not be delivered.
- 5.4 The Director expressed some reservations about the projected £1 million savings proposed by establishing an integrated transport service.
- 5.5 Sickness absence levels in schools had been an issue raised last year. It was explained that levels were reducing in schools although targets had not been introduced.
- 5.6 The Director encouraged further discussion with Customer Services about IT support costs and also the need for incentives to address accommodation issues as part of Gershon initiatives.
- 5.7 **The Budget Working Group reiterated the need for Post-16 transport to be reviewed. The Director indicated that this was being pursued.**

## 6. SOCIAL CARE AND HEALTH SERVICE

### DISCUSSIONS WITH DEBBIE JONES, THE ACTING DIRECTOR OF SOCIAL CARE AND HEALTH – 26<sup>TH</sup> OCTOBER 2005

- 6.1 The Acting Director explained the remit of the Social Care and Health Service which had a revenue budget in the region of £216 million.
- 6.2 Democratic changes within County Durham are leading to increasing demands on Social Care and Health and Services. The impact of Learning Disabilities will be a significant factor in the Budget for 2006/7 – a full Invest to Save strategy is being developed to address this.
- 6.3 Increasingly, there is a move in terms of Social Care and Health towards the commissioning of services which makes identification and achievement of efficiency savings more difficult.
- 6.4. The main factors impacting on the projected £1.1 million overspend in 2005/6 are 'double running' issues in relation to County Durham Care and Residential Homes and costly care packages for persons with learning disabilities.
- 6.5 **Following consideration of the bad debt situation relating to this Service, the Budget Working Group considers that there is a need to look corporately at bad debt collection policies to improve recovery.**
- 6.6 Budget pressures in the Social Care and Health budget in 2004/5 meant that the second tranche of the Modernising Services for Older People strategy savings had to be applied to balance the budget.
- 6.7 There are potential funding pressures in relation to the domiciliary care market given the increased emphasis in County Durham on provision of domiciliary care.
- 6.8. It is hoped that the £1.8 million base budget shortfall will not be a continuing feature of the budget and the Invest to Save strategy being developed in relation to learning disabilities should address this.
- 6.9 No work has been undertaken yet around cost savings linked to the structural changes regarding children and adult services. These are unlikely to generate savings in the short term because of issues such as double running but may well generate future savings.
- 6.10 In terms of value for money, the Council is at the lower end in terms of spending compared to many of the Social Services Authorities in our region who have similar levels of deprivation.
- 6.11 **The pressures on the Social Care and Health Service are appreciated but a further over-spend this year is being predicted.**

There do not appear to be any predicted under-spends on other budgets. There are also a number of additional unknown financial factors which will impact on budget setting. Therefore, there is an urgent need to address the potential over-spend to ensure that the difficult budget setting process for next year is not exacerbated.

## 7. CUSTOMER SERVICES

### DISCUSSION WITH ALAN HODGSON, DIRECTOR OF CUSTOMER SERVICES 3<sup>RD</sup> NOVEMBER 2005

- 7.1 The revenue Budget of the Service was approximately £10 million. The Service had carried out benchmarking to compare its costs with other local authorities. There were issues about whether comparison was genuinely 'like for like' but the information provided to the working group suggested that this authority was below the Shire County Council average for a number of elements of expenditure. Some Services had raised the issue of IT costs in particular.
- 7.2 The Director drew attention to annual benchmarking information from the Society of Information Technology managers. He indicated that this showed that Durham County Council's expenditure on ICT was much lower than the average shire County Council. The performance indicators he used were:

	AVERAGE FOR SHIRE COUNTIES	DCC
ICT expenditure as % of total revenue budget	2.22%	1.7%
ICT expenditure per user	£2,350	£1,582
ICT expenditure by population	£22	£17.40
Average acquisition cost per workstation	£790	£585

- 7.3 Whilst it was explained that costs were shared with other Chief Officers on a transparent basis, it was clear that a number of services were still expressing concerns to the Budget Working Group. **The Director indicated that he was going to review the charging methodology in order to make the charges more transparent, ie increasing clarity for customers. The working group supported this approach.**
- 7.4 The Budget Working Group has, in the past, encouraged an overall corporate approach to IT. The changes in services as a result of the introduction of a children's service and an adult service provides the opportunity to review this issue. Whilst discussions are taking place with Services, the working group agrees with Customer Services that **more can be done to ensure that the benefits of a corporate approach to**

**IT are maximised. The Budget Working Group wishes to reinforce this point which was made last year.**

- 7.5 The working group for some time has been seeking evidence of new ways of working particularly in relation to 'back office' services to release savings to assist with the Council's priorities. The Director of Customer Services is very enthusiastic about the opportunities provided by IT to change working arrangements particularly for 'back office' services and thereby releasing resources for investment in direct services to the public. However, **this requires a much more corporate approach and a human resources strategy to address this issue without having an impact on the existing workforce. The Scrutiny Budget Working Group sees this as a priority issue for consideration by Cabinet.**
- 7.6 In relation to Design and Print, there had been an expectation that savings would by now be available to meet the target of £4 million cash savings arising from the Best Value Review. The Working Group was informed that the partnership initiative was no longer to be pursued and the cash savings envisaged in the Best Value Review will not be delivered. The current strategy was to seek Best Practice to introduce improvements in the current Service but no savings were envisaged at this stage from this exercise. It is noted that last year the Design and Print Service did not break even. **The Budget Working Group would like much faster progress to be made in relation to addressing the future arrangements for the Design and Print Service.**
- 7.7 The Service in the future will be identifying costs relating to Strategic Policy advice and the delivery of day-to-day IT services separately which may make comparison more transparent. Other parts of the Service will also be separately identified in the interests of clarity.
- 7.8 A sum of about £56,000 is being spent annually on consultants. The majority of this related to engagement of a consultant to draft an Access to Services strategy. This expenditure will not be a feature in the budget in the future.
- 7.9 The Service has indicated that it can only identify £130,000 for savings for next year as opposed to a target of £417,000. The Director indicates that, in his view, the Council's IT expenditure needs to be increased in a number of areas but he sees this as an opportunity to make long-term savings for the authority. There are expenditure proposals in relation to a centralised renewals strategy for the replacement of equipment, a data centre and disaster recovery facility, a storage area network, extension of wireless connectivity and a document image processing system with workflow facilities. He explained his views about the urgent need for this investment. **The Budget Working Group believes that these initiatives should be closely examined.**

9<sup>th</sup> November 2006