



DERBY CITY COUNCIL

**PERSONNEL COMMITTEE**  
**1 APRIL 2009**

# ITEM 10

Report of the Corporate Director of Resources

## Budget Savings

### RECOMMENDATION

1. It is recommended that Members note the savings required to balance the budget set by full Council and the proposals put forward by Chief Officers to help deliver them.

### SUPPORTING INFORMATION

- 2.1 The Council set a budget on 2 March on the basis of a council tax increase of 3.25%. This was a compromise position arrived at by Members on the night. The compromise decisions made by Members led to some unplanned changes to the proposals put forward by the Cabinet.
- 2.2 For 2009/10 and ongoing, we need to make a permanent saving of £750k to cover the 1% reduction in council tax from the 4.25% proposal that was put forward by the Cabinet. A further £284k is needed to reinstate the proposed £80k reduction in funding to Derby Community Transport and the £204k cost of the devolved footway maintenance programme that was agreed by Members as an addition to the Cabinet's budget proposals. So the total reduction in the proposed budget from 2009/10 onwards is £1,034,000 per year.
- 2.3 In order to implement an amendment to reverse the Cabinet proposal to use £713k from general reserves to balance the 2009/10 budget, we also needed to find a further 'one off' saving of £713k. So the total saving required to balance the 2009/10 budget is £1,747,000. That is the £1,034,000 on-going requirement plus the reinstatement of the one-off £713k use of general reserves.

- 2.4 To pay for the £1,747,000 in 2009/10, Council agreed these savings:

	£
% reduction in salaries and wages bill	1,310,000
Reduction in Derby Live grant	100,000
Reduction to public realm programme	200,000
One-off contribution from LABGI Grant	<u>137,000</u>
Total saving to balance	1,747,000

- 2.5 These savings have now been allocated to departments and taken out of employee budgets. This will create a pressure for managers over the course of the year that will have to be managed. If the 2009/10 pay award comes in at less than 2.5%, as is hoped, the impact of this pressure will be reduced. But in order to help mitigate the pressure on budgets, the Chief Officer Group is proposing the following actions. Savings that accrue from the proposals will be fed back into departments to offset the reduction in employee budgets.

### **Review of Agency Staff**

- 2.6 We are reviewing the use of agency staff. While there are circumstances in which agency staff have to be used, they can be an expensive option. The review will ensure that all options have been considered before resorting to using agency staff.
- 2.7 We have reduced the cost of using agency staff over recent years following the procurement of Comensura, who negotiate on our behalf to secure the most competitive rates for labour from a wide variety of agencies. This competitive pressure impacts on the agencies' margins, rather than on the rates paid to the workers because we specify the rate for the job by reference to what we would pay for in-house labour.
- 2.8 There are some specialist arrangements that sit outside the Comensura contract and these will be reviewed to see whether they are still required given the recent loosening of the labour market.
- 2.9 There are a number of agency workers who have been with the council for long periods and we shall be looking to see whether savings could be made by converting some of this activity to direct employment, cutting out the cost of agency fees.
- 2.10 A report is being prepared for the Chief Officer Group with recommendations for reducing the cost of agency workers.

### **Review of organisational processes**

- 2.11 From the start of April the Council will be embarking on a 20 week organisational-wide review designed to quantify the scope for efficiencies, cost reductions and streamlined work practices. This project is one of three pilots taking place across the country and is being supported by 4P's, Price Waterhouse Coopers - PWC and Turner and Townsend Management Consultants. The work will be based on successful pilots in a number of Scottish authorities. The project will lead to proposals designed to achieve significant long-term reductions in the Council's operating budgets.
- 2.12 The project is being funded from the East Midlands Regional Improvement and Efficiency Partnership and 4Ps.

## **Transforming Derby Projects**

- 2.13 There are projects within the Transforming Derby Programme that are aimed at delivering more efficient ways of working. These projects, which include New Ways of Working and Derby Direct, will present opportunities for saving employee costs. There is already a £900k savings target in 2010/11 to be met from this programme.

## **Review of Management Structures**

- 2.14 We are looking at management arrangements in other authorities in order to see if there are more effective structures that are being used elsewhere. A piece of work has been commissioned to compare Derby's structure and management numbers to those in other authorities to see if savings could be made. This benchmarking exercise will show how lean the council's management arrangements are compared to those of other authorities like us. A report is being prepared for the Chief Officer Group.

## **Control of Vacancies**

- 2.15 It is not intended at this time to re-introduce a Vacancy Control Panel because we want to try to keep the associated bureaucracy to a minimum. However, vacancies will be controlled by Chief Officers, who have the responsibility to manage their budgets and their staffing. The Chief Officer Group will see that there is some uniformity in the criteria used. The factors to be considered are...
- Does the post deliver an essential service (like refuse or child protection)?
  - Would leaving the post vacant give rise to safety issues?
  - Would income be lost if the post was not filled?
  - Would there be an unacceptable impact on other team members?
  - Is there already a high number of vacancies in the team?
- 2.16 We want to involve Trade Union representatives in these processes and we will try to avoid compulsory redundancies. A special meeting of the Corporate Joint Committee has been convened to discuss the savings and the proposals to find them.

**For more information contact:** Rod Wood on 01332 255484 e-mail [rod.wood@derby.gov.uk](mailto:rod.wood@derby.gov.uk)

**Background papers:** None

**List of appendices:** Appendix 1 Implications

<b>IMPLICATIONS</b>
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**Financial**

1. The Council is required by law to set a balanced budget. The full Council amended the proposals put forward by the Cabinet by imposing a 1% reduction in the paybill. These reductions have now been taken from departmental budgets.

**Legal**

2. None directly arising.

**Human Resources**

3. The 1% reduction in departmental employee budgets will be a pressure that will have to be managed. The proposals set out in the report are designed to mitigate the pressure.

**Equalities Impact**

4. None directly arising.

**Corporate Priorities**

5. The Council is committed to providing excellent services and value for money.