

## **Item: 5**

**Policy and Resources Committee: 3 December 2020.**

**Budget Setting – Efficiency Savings.**

**Report by Head of Finance.**

### **1. Purpose of Report**

To consider implementing a range of low risk savings options that have been identified by the Senior Management Team as part of the budget setting process for 2021/22.

### **2. Recommendations**

The Committee is invited to note:

#### **2.1.**

That, as part of the budget setting process for 2021/22, the Senior Management Team has identified savings proposals that, using the criteria set out in section 3.2 of this report, have been classified as low risk and uncontroversial.

#### **2.2.**

That should the low risk savings be implemented, this would result in a reduction of £97,100 to baseline budgets for financial year 2021/22.

**It is recommended:**

#### **2.3.**

That the efficiency savings for 2021/22, identified in Annex 1 to this report and amounting to £97,100, be approved and consequently removed from Service baseline budgets.

### **3. Background**

#### **3.1.**

National, Scottish and Local Government budget processes are being revised as a result of the prevailing circumstances. The UK Government has delayed its Autumn Budget which has had a knock-on effect on the Scottish Government's timetable for its budget which has now been announced as taking place on 28 January 2021.

### **3.1.1.**

The Convention of Scottish Local Authorities (COSLA) is currently seeking information on the timing of the parliamentary process that will take place in February/early March 2021, which is important for both COSLA's pre-budget lobbying and for councils in knowing their final settlement.

### **3.1.2.**

The Council has to set a balanced budget by 11 March 2021 meaning that there will again be a greatly reduced timescale for any consultation with the community between gaining knowledge of the settlement and the setting the budget.

### **3.2.**

The Scottish Government financial settlement to Local Government for 2021/22 is not expected to be announced until February 2021. Whilst the exact level of savings required to achieve a balanced budget is not known, it is a virtual certainty that the Council will have to make significant savings to allow a balanced budget to be achieved. The costs of any pay award and the pressure on input prices will have to be managed whilst a reduction on the contribution from the Strategic Reserve Fund to a more sustainable level must also be achieved.

### **3.3.**

During discussion by the Senior Management Team on savings options for 2021/22 and beyond, several savings proposals have been identified that would appear to be low risk and uncontroversial. The criteria used to identify the savings in this report at this stage of the budget process generally included the following:

- Individual cost centres that have indicated a trend of underspend over the last three years.
- No impact on frontline service delivery or service user experience.
- No staffing or hours reductions.

### **3.4.**

The Interim Chief Executive has therefore determined that these should be the subject of an early report to the Policy and Resources Committee where they can be considered and, if agreed, effectively declutter the savings proposals to come later in the budget setting process where the higher risk and more controversial proposals will feature.

### **3.5.**

Identification of efficiency savings forms an integral part of the Council's corporate budget setting process and Medium-Term Financial Strategy, with all Services required to contribute towards the achievement of a savings efficiency target. It is worth noting that the Senior Management Team has agreed that, given the scale of the expected funding gap, any budget growth will present particular difficulties.

However, the Senior Management Team is aware of inescapable budget pressures in a number of areas that will have to be addressed as part of the 2021/22 budget process.

## **4. Low Risk Service Savings Options**

### **4.1.**

Services have identified low risk and therefore achievable savings, as summarised in Annex 1 to this report as follows:

- Chief Executive's Service:
  - £22,600.
- Development and Infrastructure:
  - £41,600.
- Education, Leisure and Housing:
  - £32,900.

### **4.2.**

Orkney Health and Care has been set a significant savings target of £4.2 million by both partners to be achieved over the next three financial years. This is made up of a target of £2.4 million from NHS Orkney and £1.8 million by the Council. Savings proposals will be considered by the Integration Joint Board at a meeting early in 2021.

## **5. Risk**

### **5.1.**

The increasingly stringent financial circumstances facing councils as a result of cuts in Government grant allocations, coupled with increased demand for services and heightened regulatory requirements, are placing correspondingly higher levels of risk upon councils. Annex 2 to this report shows the risk matrix that officers have used to assess the risk attached to each savings proposal.

### **5.2.**

Due to diseconomies of scale it is likely that the capacity of the Council to meet its statutory and other responsibilities is limited by comparison with larger councils and as a consequence the level of exposure to risk is greater in the local context.

### **5.3.**

It is likely, with regard to many areas of the Council's activities, that it will be very difficult to assure Members with confidence that sufficient resources, in terms of staffing, expertise and systems, are in place to meet all legal and compliance obligations let alone the many standards of good practice which apply to services.

This may lead to an increased likelihood of failures or perceived failures within services and clear challenges in terms of meeting performance expectations of the Council and its many stakeholders.

#### **5.4.**

As Head of the Paid Service, the Chief Executive has a statutory responsibility in terms of section 4 of the Local Government and Housing Act 1989 to report to the Council in respect of any proposals that he has with respect to the number and grades of staff required by the Council for the discharge of their functions.

### **6. Human Resource Implications**

The proposed efficiency savings have been assessed as risk levels low and medium and will, if approved, result in no reduction of staff.

### **7. Corporate Governance**

This report relates to the Council complying with its financial processes and procedures and therefore does not directly support and contribute to improved outcomes for communities as outlined in the Council Plan and the Local Outcomes Improvement Plan.

### **8. Financial Implications**

The financial implications of the savings proposals covered in this report are summarised by service in section 4 above and explained in further detail in Annex 3.

### **9. Legal Aspects**

#### **9.1.**

Section 93 of the Local Government Finance Act 1992 requires the Council to set the Council Tax and a balanced budget before 11 March each year. Failure to do so could result in the Council being declared by the Scottish Ministers to be in default and directed, by virtue of Section 211 of the Local Government (Scotland) Act 1973, to set a Council Tax and a balanced budget within such time as the Scottish Ministers direct.

#### **9.2.**

The Council is required by law to make arrangements which secure best value.

### **10. Contact Officer**

Gareth Waterson, Head of Finance, extension 2103, Email [gareth.waterson@orkney.gov.uk](mailto:gareth.waterson@orkney.gov.uk).

## **11. Annexes**

Annex 1: Efficiency Savings Summary 2021/22.

Annex 2: Risk Matrix.

Annex 3: Efficiency Savings Proposals for 2021/22 to 2022/23.

## SUMMARY SAVINGS

Annex 1

		2021/22
Reference	Savings by Service	Baseline
		£000's
	<b>Chief Executive</b>	
CACE30	Corporate & Community Strategy reduction in non-staff budgets	4.0
OSCE31	Community Councils reduction in non-staff budgets	2.4
CACE32	Chief Executive's reduction in travel & subsistence budgets	16.2
		<hr/>
		22.6
	<b>Development and Infrastructure</b>	
CADI40	D&I Support non-staff budgets	9.0
LODI41	Civil Contingencies non-staff budgets	2.0
DVDI42	Regeneration Support non-staff budgets	1.0
CADI43	D&I reduction in travel & subsistence budgets	29.6
		<hr/>
		41.6
	<b>Education, Leisure and Housing</b>	
EDELH50	Further Education Bursary	8.0
EDELH51	Probationer Teacher Mentor Support Programme	3.0
EDELH52	ELH reduction in travel & subsistence budgets	21.9
		<hr/>
		32.9
		<hr/>
	<b>TOTALS</b>	<hr/>
		97.1
		<hr/>

Annex 2.

## Risk Matrix

Risk Impact.		Risk Likelihood	
Negligible.	1.	Almost Impossible.	1.
Marginal.	2.	Very Low.	2.
Critical.	3.	Low.	3.
Catastrophic.	4.	Significant.	4.
		High.	5.
		Very High.	6.

Risk Score (Impact x Likelihood).	
Low.	1 to 6.
Medium.	7 to 12.
High.	13 to 18.
Very High.	19 to 24.

### Annex 3.

## Efficiency Savings Proposals 2020/21 to 2022/23

### Background

Savings Title	Corporate & Community Strategy Non-Staff Budgets.
Reference	CACE30
Lead Officer	Karen Greaves
Service Area	Central Administration
Service Function	Chief Executive Services
Cost Centre	R10015000

Savings	Amount (£000)	Headcount	FTE
2021/22	4.0	0	0.0
2022/23	0.0	0	0.0
<b>Total</b>	<b>4.0</b>	<b>0</b>	<b>0.0</b>

### Savings Details:

Non-staff costs and spend over the last three years have been reviewed. A saving of £4,000 can be made (budget £118,900).

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

Reduces flexibility for Head of Service to cover cost pressures elsewhere.

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Marginal
Risk Likelihood	Low
Risk Category	Low
Impact on Performance	Low
Efficiency Category	Procurement
EqIA Required	No

### Justification for Risk Category:

This is a low risk budget reduction proposal with no foreseeable associated risks.



## Background

Savings Title	Community Councils Non-Staff Budgets.
Reference	CACE31
Lead Officer	Karen Greaves
Service Area	Other Services
Service Function	Chief Executive Services
Cost Centre	R39033000

Savings	Amount (£000)	Headcount	FTE
2021/22	2.4	0	0.0
2022/23	0.0	0	0.0
<b>Total</b>	<b>2.4</b>	<b>0</b>	<b>0.0</b>

### Savings Details:

Non-staff costs and spend over the last three years have been reviewed. A saving of £2,400 can be made (budget £265,700).

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

Reduces flexibility for Head of Service to cover cost pressures elsewhere.

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Marginal
Risk Likelihood	Low
Risk Category	Low
Impact on Performance	Low
Efficiency Category	Procurement
EqlA Required	No

### Justification for Risk Category:

This is a low risk budget reduction proposal with no foreseeable associated risks.

## Background

Savings Title	Chief Executive's Travel and Subsistence
Reference	CACE32
Lead Officer	Gareth Waterson
Service Area	Various Services
Service Function	Chief Executive Services
Cost Centre	Various

Savings	Amount (£000)	Headcount	FTE
2021/22	16.2	0	0.0
2022/23	0.0	0	0.0
<b>Total</b>	<b>16.2</b>	<b>0</b>	<b>0.0</b>

### Savings Details:

Reduction in Travel and Subsistence budgets across the Chief Executive's services.

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

Reduced capacity within budget which could reduce ability to travel out of Orkney for meetings.

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Marginal
Risk Likelihood	Low
Risk Category	Low
Impact on Performance	Negligible
Efficiency Category	Streamlining Bureaucracy
EqlA Required	No

### Justification for Risk Category:

This is a low risk budget reduction proposal with no foreseeable associated risks.

## Background

Savings Title	D&I Support Non-Staff Budgets.
Reference	CADI40
Lead Officer	Gavin Barr
Service Area	Central Administration
Service Function	Development & Infrastructure
Cost Centre	R10050000

Savings	Amount (£000)	Headcount	FTE
2021/22	9.0	0	0.0
2022/23	0.0	0	0.0
<b>Total</b>	<b>9.0</b>	<b>0</b>	<b>0.0</b>

### Savings Details:

The business support budget provides support across the D&I service including the staff costs of the business support team and covers any extraordinary expenses for the Service Director and Head of Infrastructure and Strategic Projects which do not fall within project budget parameters. The budget provides flexibility for the service to respond to in year unexpected cost items for example new licences or administrative system upgrades. It is also used to cover travel and subsistence costs for unprogrammed/non-project specific events for the Director and other staff (Budget £622,500).

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

The risk here is that the service will have very little scope to respond to any unexpected expenditure requirements, in particular requests for the Executive Director to travel on non-project budgeted trips (which has been a regular requirement over the years).

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Marginal
Risk Likelihood	Low
Risk Category	Low
Impact on Performance	Moderate
Efficiency Category	Streamlining Bureaucracy
EqIA Required	No

**Justification for Risk Category:**

This saving targets a known historic underspend in this budget area. Whilst this will have impact on the flexibility that the service has to respond to unforeseen events it should be possible based upon this historic underspend position.

## Background

Savings Title	Civil Contingencies Non-Staff Budgets.
Reference	LODI41
Lead Officer	Hayley Green
Service Area	Law, Order and Protective Services
Service Function	Other Services
Cost Centre	R23480000

Savings	Amount (£000)	Headcount	FTE
2021/22	2.0	0	0.0
2022/23	0.0	0	0.0
<b>Total</b>	<b>2.0</b>	<b>0</b>	<b>0.0</b>

### Savings Details:

Reduction in Civil Contingencies non-staff budget in respect of an ongoing underspend on Administration costs (Budget £92,800).

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

Reduces flexibility for Head of Service to cover cost pressures elsewhere.

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Marginal
Risk Likelihood	Low
Risk Category	Low
Impact on Performance	Negligible
Efficiency Category	Streamlining Bureaucracy
EqlA Required	No

### Justification for Risk Category:

Limited implications for service delivery.

## Background

Savings Title	Regeneration Support Non-Staff Budgets.
Reference	DVDI42
Lead Officer	Roddy Mackay
Service Area	Economic Development
Service Function	Regeneration
Cost Centre	R33200000

Savings	Amount (£000)	Headcount	FTE
2021/22	1.0	0	0.0
2022/23	0.0	0	0.0
<b>Total</b>	<b>1.0</b>	<b>0</b>	<b>0.0</b>

### Savings Details:

Reduction in Regeneration Support non-staff budget in respect of an ongoing underspend (Budget £8,800).

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

This budget provides the service with a level of flexibility to cover small costs which arise in year for early project development work or unexpected costs to support economic or regeneration related work. This flexibility will be removed, meaning the service will have more limited capability to respond quickly to unforeseen or exceptional costs arising in year, or risk overspend where these are unavoidable. There is increased risk of pressure within this service area arising from COVID response factors which are at present unknown.

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Marginal
Risk Likelihood	Low
Risk Category	Low
Impact on Performance	Negligible
Efficiency Category	Streamlining Bureaucracy
EqlA Required	No

### Justification for Risk Category:

The historic underspend information indicates that this level of saving should be possible. However, it will risk the flexibility of the service to respond to unforeseen expenses/opportunities to progress beneficial/regeneration project activities.

## Background

Savings Title	Development & Infrastructure Travel and Subsistence
Reference	CADI43
Lead Officer	Gavin Barr
Service Area	Various Services
Service Function	Development & Infrastructure
Cost Centre	Various

Savings	Amount (£000)	Headcount	FTE
2021/22	29.6	0	0.0
2022/23	0.0	0	0.0
<b>Total</b>	<b>29.6</b>	<b>0</b>	<b>0.0</b>

### Savings Details:

Reduction in Travel and Subsistence budgets across the Development and Infrastructure services.

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

Reduced capacity within budget which could reduce ability to travel out of Orkney for meetings.

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Marginal
Risk Likelihood	Low
Risk Category	Low
Impact on Performance	Negligible
Efficiency Category	Streamlining Bureaucracy
EqlA Required	No

### Justification for Risk Category:

This is a low risk budget reduction proposal with no foreseeable associated risks.

## Background

Savings Title	Further Education Bursary
Reference	EDELH50
Lead Officer	Peter Diamond
Service Area	Education
Service Function	Assistance for Students
Cost Centre	R15147000

Savings	Amount (£000)	Headcount	FTE
2021/22	8.0	0	0
2022/23	0.0	0	0
<b>Total</b>	<b>8.0</b>	<b>0</b>	<b>0</b>

### Savings Details:

In the past three years this budget has been underspent by £10,000. In 2017 this budget was reduced from £223,000 to £189,000.

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

Recent trend would show minimal consequence, however, with a very uncertain future, it could be predicted that more demand will be placed upon this budget line.

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Marginal
Risk Likelihood	Low
Risk Category	Low
Impact on Performance	Negligible
Efficiency Category	Streamlining Bureaucracy
EqIA Required	No

### Justification for Risk Category:

This saving targets a known historic underspend in this budget area. Whilst this will have impact on the flexibility that the service has to respond to unforeseen events it should be possible based upon this historic underspend position.



## Background

Savings Title	Probationer Teacher Mentor Support Programme
Reference	EDELH51
Lead Officer	Peter Diamond
Service Area	Education
Service Function	Probationer Teachers
Cost Centre	R14735000

Savings	Amount (£000)	Headcount	FTE
2021/22	3.0	0	0
2022/23	0.0	0	0
<b>Total</b>	<b>3.0</b>	<b>0</b>	<b>0</b>

### Savings Details:

Non-staff costs and spend over the last three years have been reviewed. A saving of £3,000 can be made (budget £9,500).

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

Lack of face to face flexibility should additional support be required.

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Negligible
Risk Likelihood	Very Low
Risk Category	Low
Impact on Performance	Low
Efficiency Category	Work Force Planning
EqlA Required	No

### Justification for Risk Category:

This saving targets a known historic underspend in this budget area. Whilst this will have impact on the flexibility that the service has to respond to unforeseen events it should be possible based upon this historic underspend position.

## Background

Savings Title	Education, Leisure & Housing Travel and Subsistence
Reference	EDELH52
Lead Officer	James Wylie
Service Area	Various Services
Service Function	Education, Leisure & Housing
Cost Centre	Various

Savings	Amount (£000)	Headcount	FTE
2021/22	21.9	0	0.0
2022/23	0.0	0	0.0
<b>Total</b>	<b>21.9</b>	<b>0</b>	<b>0.0</b>

### Savings Details:

Reduction in Travel and Subsistence budgets across the Education, Leisure and Housing services.

### HR/Staffing implications:

There are no staffing or staff hours reductions resulting from this proposal.

### Consequences:

Reduced capacity within budget which could reduce ability to travel out of Orkney for meetings.

### Knock-on Effect to Other Services:

None.

### Risk and Impact Assessment:

Risk Impact	Marginal
Risk Likelihood	Low
Risk Category	Low
Impact on Performance	Negligible
Efficiency Category	Streamlining Bureaucracy
EqlA Required	No

### Justification for Risk Category:

This is a low risk budget reduction proposal with no foreseeable associated risks.