

Overview

1. The Directorate's gross budget is £26.2m for 2005/06. The revised net budget for 2006/07 (i.e. net of internal and external income and plus allowable standstill pressures) is £10.2m. This is broken down as follows:

<u>Budget breakdown</u>	£000
CRD Finance	1,640
Audit and Performance	1,103
Property Related (inc building maintenance)	4,141
Other Misc budgets	526
Net ICT trading costs (inc. development budget)	2,760
	<hr/> 10,170 <hr/>
<u>Past Savings Achieved</u>	£000
2004/05	470
2005/06	476
	<hr/> 946 <hr/>
<u>Savings required 06/07</u>	£000
Building maintenance (4% reduction)	152
All other CRD (6% reduction)	382
	<hr/> 534 <hr/>

2. Key Drivers

- Considerable change within the Directorate over the last 3 years.
- Significant role in change agenda for whole council (e.g. CBOSS).
- Highest % reduction in each of the last 3 years of any department.
- Committed to policy steers.

3. Approach to prioritisation

As in previous years it is not appropriate simply to apply 6% savings on some across the board basis. Priorities, policy steers and risk management must be taken into account. With all this in mind, and working with the Lead Member, the Director, and management team, are working to the following framework.

- Delivery of the core policy steers remains core!
- The improved capacity and people and system infrastructure, created on the back of the difficult internal restructuring decisions of the last three years – and so crucial to achieving (1) above but also sustaining the key improvements underway – must be protected if at all possible.
- Key 'control' areas, operating at minimum capacity levels currently must be protected as far as possible e.g. Insurance, Treasury Management, Audit and Procurement. More generally, reductions in other areas must not risk the propriety and probity of financial and other key business processes.

- Efficiency and low impact savings must be maximised and managed in line with the guidelines (as a minimum).
- Major unavoidable developmental areas must be protected (i.e. the remaining CBOSS work) in line with the procurement cycle.

Given the need for savings over the last few years, and the target for 2006/07, it is only possible to achieve a balance of the above.

4. Impact of Savings

Out of a total requirement of £534,000, CRD will deliver £344,000 through efficiency or low impact. This is equivalent to 3.5% of the total budget. This has been achieved through a continued focus on productivity and efficiency. The more difficult savings relate to Internal Audit, Property Maintenance and ICT. The savings of £20,000 in Internal Audit is not ideal but is modest and in my view is manageable without any significant risk. It is important to remember that this service has been fully protected, by choice within CRD, for each of the last 4 years.

The savings in Property Maintenance are much more problematical. The reality is that great strides have been made in recent years but from a relatively low investment base. Indeed, the current backlog is estimated at £42m and the Council has a below average percentage of properties in a 'good' condition. Improvements in operational focus have seen the ratio of planned to reactive maintenance increase to 2:1. This is at the best practice standard and is a key measure of operational efficiency. It has also proved possible to improve the percentage of building with disabled access (albeit we are still below average in comparative terms). The savings requirement for Building Maintenance was set below average by Cabinet at 4% because of the above reasons. The department will seek to maximise efficiency but it is inevitable that the reduction will increase the backlog (which brings long term risks) and reduce performance in other areas (e.g. future disabled access plans).

For the most part, ICT savings have been limited to efficiency but further cuts in the development budget are unavoidable. The development budget will have been reduced by some £1m to £0.5m over the last 2 years.

Overall, for obvious reasons, CRD understand the wider context of savings requirements. The concern and risks from successive savings, relate to the progressive strain on capacity and undue dependency on key people. The position for 2006/07 is considered manageable but a repeat in subsequent years would undoubtedly impact on risk control and possible external assessments.