

How the City of Utrecht achieved major budget savings through innovative service reviews

Received via Governance International

Published On: 30 November 2015

Organisation: Hiemstra & De Vries Management Consultants

Country: Netherlands

Level of government: Local government

Sector: General public services

Type: Methods, Public Service

Launched in: 2010

Overall development time: 8 month(s)

Link to the innovation's website

Like this innovation

0 persons like this innovation

Description

When the coalition government took office in the City of Utrecht in 2010 it was faced with central government-imposed austerity. The cabinet eventually agreed a durable budget reduction of EUR 55 million from 2014 onwards - this corresponds to 10% cut of the discretionary budget every year.

During a period of six months, 11 service reviews were carried out, inspired by new ideas stimulated by benchmarking against the 'best in class' in the Netherlands. Although the process was highly political, complex and brought together multiple interests, it resulted in 32 reform proposals with EUR 66 million estimated budget savings.

Why the innovation was developed

- When the coalition government in Utrecht took office in 2010 it was faced with centrally-imposed austerity.
 - Initially, the cabinet was only willing to cut 10% of the discretionary budget within eight years.
-

Objectives

Enhance public trust, Enhance transparency, Improve effectiveness, Improve efficiency, Increase citizen engagement

- A comprehensive service review, including a review of the corporate structure, was introduced:
 - "The review should focus both on the effectiveness and efficiency of the local administration and its activities. Saving opportunities, for example, may be found in the reduction of managers and staff, closing front-offices or merging departments. We also focus on reducing the level of hiring external staff. Regarding activities, overlying policies, effectiveness of policy, possibilities of privatisation and reducing the number of programmes should be studied." (Coalition programme 'Green, Open, Social' 2010:28)
 - After finishing the coalition programme the need to make even deeper cuts became evident. The initial reduction target of EUR 50m in eight years was adjusted multiple times. The final agreed target consisted of a durable budget reduction of EUR 55m from 2014 onwards, so that budget cuts had to be identified which would be sustainable into the longer term, not just one-year one-off changes. To uncover budgetary possibilities the council had given a clear objective to the responsible alderman:
 - "The review, together with the reduction of hiring external staff and the core-task analysis has to reveal a savings potential for the administration and its policies, growing from EUR 5m in 2011 up to EUR 55m from 2014 onwards." (Concluding Report Review Director 2011:3)
-

Main beneficiaries

Civil Society, General population, Government bodies, Government staff

- Citizens and taxpayers of Utrecht
- Utrecht city council

Results

Efficiency

- Within a period of six months an overarching reform plan was produced with estimated savings of over EUR 66 million. The final report of the review also defined the milestones for a large-scale transformation process of local services.
 - Because the necessary level of cuts was EUR 55 million, this gave the local council room to choose between preferred and disliked reform measures. The council decided not to choose all reform measures (and it even created space for investments), postponing some less preferred measures for future rounds of savings.
 - Savings of about EUR 5 million were achieved in the first year, mainly through a reduction of external contracts in 2011. The structural savings of EUR 55 million were achieved by 2014 through a selection of measures from the concluding report.
-

Effectiveness

- Within a timeframe of six months, the corporate and service review was executed. Under the central coordination of the Review Director, eleven reviews were carried out. During the process around one hundred public officers were involved (around ninety experts in the review teams and a dozen department directors). The process resulted in eleven individual review reports (these are publicly assessable, just google: “doorlichtingsrapport Utrecht”), which contained statements about performance, efficiency and saving potential.
- In total, the thorough review reports (averaging fifty-two pages) contained thirty-two specific measures brought together in an overall concluding report by the Review Director. These thirty-two austerity measures can be divided into effectivity-oriented measures and efficiency gains. Five measures were oriented at effectivity - for example, reconsideration of social policies in the review of social care. However, the most measures, twenty-seven, were oriented at improving the efficiency of the administration and its activities - for example, by digitizing service in the review of public services, or the adoption of business-like management in the library.

Development

Design

The way the service review was undertaken was very innovative. There was agreement that the review had to be objective and non-political. Because of the hard choices to be made, the coalition government decided to recruit a number of external consultants to support the review teams which were driven by local officers. Of course, it was understood that the local council would have the final say.

Second, ambitions were very high. In particular, the Review Director, Dr. Jaring Hiemstra, was asked to identify best practices for the specific service sector concerned in order to compare Utrecht against the 'best in class'.

"The review is definitely ambitious. Every part of the organisation is compared to the best-in-class. For example, the percentage of overhead costs is compared with the best performing cities in The Netherlands." (Dr.Jaring Hiemstra, Review director)

Third, the review teams built on the experience and expertise from local officers and the experience and expertise of a carefully recruited external review leader. The scope of the corporate and service review was very wide (at the time, the local administration covered over 4,500 FTEs) and it had to be carried out under great time pressure.

Finally, the review deliberately combined standardised guidelines with freedom to act within the context of the assessed policy area. All review leaders were asked the same questions on the efficiency and effectiveness of the service concerned and potential savings to be made and were given the same research guidelines. However, depending on the nature and scope of the service concerned, the availability of benchmark data and other evidence, each review leader chose the best possible approach to answer the key questions.

Altogether, eleven reviews were carried out between August 2010 and February 2011. Table 2 gives an overview of the themes of the corporate and service reviews.

Implementation

Tools used:

- The first step of the review process was the appointment of an external consultant to take the role of the Review Director, selected by a committee, chaired by the alderman for organisational reform.
- For selecting the leaders of the eleven review teams, a comparable process was followed. First, the Review Director wrote an outline for each service specific review (e.g. library services) in which he set out the goals and ambitions of the review. This outline was positively framed.
- This outline was sent to a maximum of five library experts (consultants) in The Netherlands, with the request to make a specific proposal for the review of the Utrecht library within the central framework set out by the Review Director. From the received proposals, the two best external experts were invited for a presentation and discussion with the Review Director, city manager and library director. On the basis of this presentation, the leader of the review team was selected.
- The review leader of each service review team was responsible for the development of independent statements regarding the transformation and budget cuts of the concerned policy area.
- Each review had to be carried out within six weeks. Once the review report had been finalised the review leader was invited to present the results to (in case of the library) the Review Director, the alderman responsible for the library, the city manager and the library director. Subsequently, the report had to be presented to the corporate management team meeting chaired by the city manager.
- As a last step, with the coordination of the Review Director an overarching plan was prepared which combined the individual reports' and expected savings and linked them to broader organisational development issues. This overarching plan was accepted by the aldermen and presented to the local council in spring 2011.

Resources used:

- In total, Utrecht saved EUR 135 million since 2010 (EUR 5 million in 2011, EUR 30 million in 2012, EUR 45 million in 2013 and EUR 55 million in 2014). The execution of the organisational review cost EUR 800 000, just over one per cent of the potential savings. This budget was mainly spent on the hiring of the external consultants, i.e. the Review Director and the leaders of the review teams.
-

Challenges and solutions

- The comparability of the individual reviews - The 11 reviews vary not only in terms of scope, approach and depth, but also in terms of quality and validity. These differences are mostly due to the availability of time, benchmarking data and specific expertise in the review team. Also, some services (e.g. libraries) are relatively simple, while others are complex and wide-ranging (e.g. social care). Nevertheless, each report addresses the key issues and challenges of the specific topic and uncovers the potential for improvement and budgetary cuts.
- Second, the level of ownership felt by the department directors turned out to be lower than expected. Although this was seen as a risk from the beginning (and department directors therefore were involved in selecting the review leader), during the process many tensions could be perceived. For example, one department director tried to influence individual members of the review team to withhold relevant information. Furthermore, during the presentations of the individual results, the stakes became higher and higher, resulting in strong efforts to lower the savings and reform potential of a specific review. The most significant debates clearly occurred while discussing lower quality reviews which were seen to have more limited validity.
- A third difficulty was the impact of the failed core-task analysis. Although this analysis was indeed made (but not under the control of the Review Director), no specific cuts could be related to its results. So, because a savings potential of EUR 55m had to be uncovered by the overall combination of the review, the reduction in hiring of external staff and the core-task analysis, the failure to find savings in the core-task analysis led to increased pressure on the review to come up with savings.

Lessons Learned

Lessons Learned

- There are two main lessons to be learned from this best practice case study: the innovative municipal austerity plan in Utrecht added value by starting from an a priori investigation that enabled strategic decision making and linked the restoration of fiscal balance with a strategic repositioning of the organisation.
 - Although level of ownership and acceptance of the overall review results varied between department directors, the execution of the review has certainly led to an undisputed sense of urgency on the part of the directors to take control over the process of modernization.
 - The lessons from Utrecht show that combining internal expertise, experience and talent with external perspectives provides great value and opportunities for delivering high quality results in the context of limited time and budget.
-

Conditions for success

- The focus on priorities and sustainable cuts rather than the usual salami-slicing with equal budget cuts of all services was highly refreshing. According to research by Utrecht University, this distinguishes the City of Utrecht from many other Dutch cities.
 - “There are two contrasting ways to manage fiscal stress. One is to salami-slice budgets top-down and to figure out later how the budget savings can be produced. Another way is to think strategically - to reflect on the purpose and actual performance of the organisation, and to make holistic choices where to cut and where to invest.”(Tom Overmans, Utrecht University)
 - Another success factor was to start the review with the positive question “what can we learn from best practice?” It truly opened up new solutions, new policy connections and other fresh thinking rather than just doing what the City of Utrecht has always done, but in a cheaper way.
 - Finally, the way the individual reviews were carried out had added value. Involving local public officers in the review research teams helped to achieve the results within limitations of time and budget. During and after the review, no critical comments were made by administrative and political stakeholders regarding the (loss of) objectivity and independence of the results.
-

Copyright OECD. All rights reserved.