

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

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**Organisation:** Hiemstra & De Vries Management Consultants

**Country:** Netherlands

**Level of government:** Local government

**Sector:** Economic affairs

**Type:**

**Launched in:** 2010

**Overall development time:** 1 year(s)

Link to the innovation's website

# Description

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When a coalition government took office in the City of Utrecht in 2010, it was faced with central government-imposed austerity. The cabinet eventually agreed on a durable budget reduction of EUR 55 million from 2014 and onwards which this corresponded to a 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 bench-marking 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 an estimated EUR 66 million in budget savings for the City of Utrecht.

## 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. A comprehensive service review, including a review of the corporate structure, was introduced.
- After finishing the coalition programme, the need to make even deeper cuts became evident. The initial reduction target of EUR 50 million in eight years was adjusted multiple times.
- The final agreed target consisted of a durable budget reduction of EUR 55 million from 2014 onwards, so that budget cuts had to be identified which would be sustainable in the longer term, not just one-year one-off changes. To uncover budgetary possibilities, the council had to give a clear objective to the responsible alderman.
- The objectives of the review focused on both the effectiveness and efficiency of the local administration and its activities. Saving opportunities, for example, could possibly be found in the reduction of managers and staff, closing front-offices or merging departments.
- Another focus was on reducing the level of hiring external staff. Regarding activities, overlying policies, effectiveness of policy, possibilities of privatisation and reducing the number of programmes was studied.
- Citizens of Utrecht
- City of Utrecht

# Results

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## 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.

# Development

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## 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 was asked to identify best practices for the specific service sector concerned in order to compare Utrecht against the 'best in class'. 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 4500 FTEs) and it had to be carried out under great time pressure.

## Testing

- 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.

## Implementation

### Tools used:

- Altogether, eleven reviews were carried out between August 2010 and February 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.

# Lessons

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## Lessons Learned

- There are two main lessons to be learned from this best practice case study. First, 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.