

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 10 October 2016

Portfolio:	Policy and Resources
Subject:	Efficiency Savings
Report of:	Chief Executive Officer
Strategy/Policy:	Medium Term Financial Strategy
Corporate Priorities:	All corporate priorities apply

Purpose:

The purpose of this report is to outline a number of efficiency savings to be captured either before or during the 2017/18 financial year, enabling the Council to achieve a balanced budget for the following year.

Executive summary:

The Council's Medium Term Financial Strategy sets out the broad principles on which the management of the Council's finances are based and provides background information regarding the level of resources, the revenue budget and capital programme.

When considering the impact of the Government's Comprehensive Spending Review in February 2016, the Executive Leader highlighted a £1,000,000 gap in the Council's budget from 2018 onwards and requested the Chief Executive Officer to prepare and bring forward a range of options to close the budget gap.

Such options have been considered and developed using the following four-part model:-

- *Procurement* - delivering cost savings through improved procurement;
- *Proceeds* - identifying opportunities to maximise income returns;
- *People* - reducing overheads and back office costs; and
- *Priorities* - re-focussing resources on priority services.

This review has given rise to £986,300 of efficiency proposals which will be taken forward over the course of the next financial year in readiness for the 2018/19 budget cycle.

As part of this process, a review of the Council's employee structure has been undertaken. As a result of the review it is proposed to delete 12 posts from the establishment, of which 9 are vacant, resulting in annual savings of £379,800.

Recommendations:

That the Executive:

- (a) notes the proposed reductions in the staffing establishment, as set out in the report;
- (b) agrees the proposal to meet redundancy costs from transitional grants and existing establishment budgets; and
- (c) agrees the savings under the headings “procurement” ,“proceeds” and “priorities” subject to a decision by Council on the 2017/18 council tax at the appropriate time.

Reason:

To achieve the necessary savings before or during the 2017/18 financial year to deliver a balanced budget for the following year.

Cost of proposals:

The proposals set out in the report will achieve annual savings of £986,300.

The maximum 'one off' costs associated with severance payments would be £209,000. This figure could be lower if post-holders are redeployed to other positions within the Council. These costs would be funded from a combination of transitional grant and the existing establishment budget.

Appendices:

A - Efficiency proposals

B - Feedback from UNISON Consultation

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 10 October 2016

Subject: Efficiency Savings

Briefing by: Chief Executive Officer

Portfolio: Policy and Resources

INTRODUCTION

1. The purpose of this report is to outline a number of efficiency savings to be captured before or during the 2017/18 financial year, enabling the Council to achieve a balanced budget for the year commencing April 2018.

BACKGROUND

2. In November 2015, the Chancellor of the Exchequer announced the results of the Government's Comprehensive Spending Review. The main message was that the Government would continue its drive to reduce the National Debt and, as a result, it would be necessary to cut public spending between 2016 and 2020.
3. In mid-December 2015, following on from the Chancellor's announcement, the Council received details of the Local Government settlement. It came as no surprise that the settlement included a significant reduction in Government funding for the period 2016 to 2020.
4. Having analysed the details of the Local Government settlement it became clear that the Council would need to reduce its annual revenue budget by approximately £1 million by April 2018.
5. It is important to put the figure of £1 million into context. Back in 2008, when the recession first hit, the Council's annual net budget was approximately £12 million a year and we employed around 525 people. In 2016 our annual net budget is less than £9 million with an employee establishment of 425 posts. Over that time frame, the Council has successfully identified millions of pounds in annual (on-going) savings whilst continuing to provide a wide range of high quality services. We have managed to achieve this at the same time as reducing our number of employees by some 20%.
6. Finding another £1 million by 2018 is therefore a significant challenge for the Council. Our work on introducing the Vanguard method has helped a lot (without it, our target would have been more like £1.5 million) and still offers more ways to reduce costs.

7. At the meeting of the Executive on 8th February 2016, the Executive Leader announced the scale of the savings required, stating that:-

“Finding another £1 million by 2018 will be a challenge, but because of our prudent approach we do not have to make any savings for the financial year ahead, starting in April 2016, so there will be no need for any sudden decisions. I have, however, asked the Chief Executive to start work on closing the budget gap, and to bring forward proposals for the Executive to consider later this year, so we are well prepared and can minimise the impact on our residents and our staff”.

8. This report sets out proposals to close the budget gap.

PROPOSALS

9. The proposed savings have been researched and reviewed under the four elements of the Council’s Efficiency Plan. These can be summarised as follows:-

- Procurement – identifying new and innovative methods of procuring services, producing more flexible contracts, smarter buying etc;
- Proceeds – identifying opportunities to generate new income streams;
- People – reviewing staffing structures and reducing headcount where possible; and
- Priorities – reviewing the priority of services with customers and, where necessary, considering a reduction in low priority services.

10. The following paragraphs set out the proposed savings.

Procurement

11. The Council has arrangements in place to deal with “out of hours” emergency calls. Over recent years, when a customer has phoned the emergency number the call has been diverted to an operator working for First Call based in Blackpool. The operator screened the call to ascertain whether it was a real emergency before contacting a Council Standby Officer.
12. Having recently reviewed the contract with First Call, it was decided that we could provide a more flexible, local, response by dealing with initial emergency calls at the Council’s CCTV Control Centre. These new arrangements have been put in place and are working well. The new approach has resulted in annual savings of £19,000 from the “out of hours” service.
13. This follows a recent review into the CCTV contract. An analysis of spending over recent years suggests that the budget could be reduced by £10,000 per annum due to an ongoing underspend in this area.
14. In 2012 Hampshire County Council led on an initiative which meant that it would manage and fund Meals on Wheels provision. Previously this cost had been

People

23. The Council currently spends around £15 million a year on the workforce and this is, by far, the largest of the Council's budgets. As such, it is inevitable that savings will need to be made in this area and that this will result in some post losses.
24. It is important to recognise that all 425 posts are important and that all employees make a valued contribution to the work of the Council. There are no easy solutions. Clearly it is important to protect, where possible, those employees working on 'front line' services.
25. The work that the Council has been undertaking as a result of implementing the Vanguard methodology has helped to identify some posts which are no longer required, and the majority of these are currently vacant.
26. It is therefore proposed to delete 12 posts, as detailed in Appendix A, of which 9 are currently vacant. This would result in annual savings of £379,800.
27. Maximum severance costs would be £209,000 and it is proposed that these costs are primarily funded from the transitional grant provided by the Government for this very purpose (i.e. £74,000 per annum for two years). It is important to note that severance figures could be lower if post-holders were redeployed to other positions within the Council.
28. Further savings of £83,000 have already been captured from recent restructures of the Environmental Health Partnership, the Property Team and the Leisure and Community Team.
29. A further £51,000 per annum can be captured by reducing corporate training and overtime budgets, in proportion with the overall reduction in employee headcount over recent years.
30. A review of the allocation of costs between the Housing Revenue Account and General Fund, following recent management changes, results in a reduction of £35,100. In addition, savings of £67,900 have been identified by deleting vacant hours from various posts throughout the organisation where employees have requested reduced working hours.
31. As a result, the proposed net savings from employee budgets would be as follows:-

• Occupied posts	£104,100
• Vacant posts	£275,700
• Recent restructures	£83,000
• Training/overtime	£51,000
• HRA/General Fund split	£35,100
• Residual hours	£67,900

Priorities

32. The final category of potential efficiency savings requires a review of the services that we provide as a Council and whether they could be adapted or, in extreme cases, stopped.
33. Despite the scale of the savings required there are no proposals to stop any services, but adaptations are recommended in two areas.
34. The first relates to the future of Westbury Manor Museum and this was subject to an Executive report on the 6th June 2016. Members agreed a proposal to remodel the Westbury Manor Museum as a vibrant 'culture stop', with pop-up exhibitions and events, enhanced café and retail outlet. The capital investment agreed, and the new management arrangements, will result in an annual saving of £64,500.
35. The second area relates to the future of the Fareham Today magazine. At present we print 47,000 copies of Fareham Today three times a year, posting the magazine to every household in the Borough. It is proposed to move to an on-line version of the magazine and to only produce printed copies on request. This would actually enable the communications team to produce more editions each year because they could be shorter, more up to date and regularly refreshed. The savings would be accrued from the reduction in print and postage costs. It is estimated that this proposal would generate annual savings of £15,000.
36. As a result, the proposed savings from this category would be as follows:-
 - Westbury Manor Museum £64,500
 - Fareham Today £15,000

FINANCIAL IMPLICATIONS

37. In order to provide a balanced budget by April 2018, it will be necessary to reduce the annual revenue budget by approximately £1million either before or during the 2017/18 financial year. This report proposes savings totalling £986,300, which is considered to be sufficient to meet the needs of the Council's Medium Term Financial Strategy.
38. Proposals relating to the redundancy of three permanent employees will not need to be implemented until March 2018. Severance costs would primarily be met from the transitional grant provided by the Government for this very purpose (i.e. £74,000 per annum for two years). It is important to note that severance figures could be lower if post-holders were redeployed to other positions within the Council.
39. The early capture of all the savings outlined above would help to provide the foundations for a planned approach to the Council's budget setting process.

CONSULTATION

40. A 30 day consultation process with employees and trade unions commenced on 1st September 2016. Feedback will be shared with members to assist the decision making process after the close of the consultation period on 1 October 2016.

DELEGATED POWERS

41. The Chief Executive Officer (as Head of Paid Service) has delegated authority to make all of the decisions on staffing structures outlined above, within an agreed establishment budget.

EQUALITY IMPACT ASSESSMENTS

42. It is important that any major policy decisions taken by the Council are subject to an equality impact assessment to ensure that any decision taken does not have any unfair consequences for any individuals or groups within the local community.
43. There are only two proposals within the list of efficiency savings detailed in Appendix A which would require an equality impact assessment before implementation. These include the proposed changes to the Fareham Today magazine and the end of the Food and Friendship Grant.

RISK ASSESSMENT

44. An assessment of the risks and opportunities associated with this decision has been undertaken. The main risks can be summarised as follows:-
- The capacity of the remaining workforce to undertake the work required.
 - The loss of experience and expertise could reduce the organisation's ability to respond to issues as quickly as in the past.
 - The possibility of not achieving the additional income proposed.
 - The potential negative impact on the overall morale of the workforce.
45. These risks can largely be controlled but will need to be carefully and sensitively managed over the coming months.

CONCLUSION

46. The Medium Term Financial Strategy has identified the need to make efficiency savings in 2017/18 and the proposals within this report should allow the Council to deliver a balanced budget for by April 2018.
47. The proposals outlined above result in the deletion of 12 posts from the establishment, of which 9 are currently vacant. The main impact on the

organisation would be a reduction in employee posts to 413, with front line posts largely unaffected.

Appendices: A – Efficiency Proposals
 B - Feedback from UNISON Consultation – to be tabled

Reference Papers:

Executive Report - 12th October 2015 - Medium Term Finance Strategy

Executive Report – 8th February 2016 – Purchase of Commercial Investment 136-138 Southampton Road

Executive Report – 6th June 2016 – Westbury Manor Museum Re-modelling Proposal

Appendix A

Efficiency Proposals

	Description	Estimated saving
PRIORITIES		
1	Move Fareham Today to a predominantly online service and produce printed copies on request.	£15,000
2	The regeneration of Westbury Manor Museum (as per Executive report) including new management arrangements in partnership with the Hampshire Cultural Trust.	£64,500
TOTAL FOR PRIORITIES		£79,500
PEOPLE/PROCESS		
3	Customer Service Centre. Reduce the establishment in the CSC by the equivalent of 1 FTE due to falling customer enquiries as a result of implementing the Vanguard methodology.	£23,700
4	New Property Team. Savings accrued from a recent restructure bringing property specialists together into a single team.	£8,600
5	Delete the post of Head of Estates FE025 and merge the Estates and Property Teams.	£46,000
6	Delete the post of Benefits Supervisor FH003. The post is no longer required following the full implementation of the Vanguard methodology within the Benefits service.	£34,400
7	Delete 1 FTE from Car Park Civil Enforcement Officer posts following pending retirement. This can be achieved due to the efficiencies gained through the implementation of the Vanguard methodology.	£25,800
8	Restructure of the Environmental Health Partnership (completed May 2016). A review of how the partnership is working has enabled savings of £130,000 (with Fareham's share being 50% of the total.)	£65,000
9	Restructure of the Leisure and Community Team (completed May 2016) following a review of the vacant Community Development Manager post SL019.	£9,400
10	Personnel Services. Delete the vacant Senior Personnel Officer post CH009 as a result of efficiencies gained through the implementation of the Vanguard methodology. The work will be allocated as follows:- <ul style="list-style-type: none"> • Duties to other Senior Personnel Officers and Development and Performance Officer • Extend grade of 1 fte trainee post 	£38,400
11	Delete vacant Planning and Development Project Officer post. Efficiencies gained through the implementation of the Vanguard	£20,600

	Description	Estimated saving
	methodology allow work to be reallocated to other members of the team.	
12	Review the allocation of costs between the HRA and General Fund following the recent senior management restructure.	£35,100
13	Delete the vacant post of Democratic Services Manager following the restructure of Democratic Services (completed May 2016).	£18,400
14	Reduction of overtime budgets due to changes in working practices.	£26,000
15	Delete the vacant Grounds Maintenance Supervisor post SS004. Early work on the Vanguard intervention indicates that the work can be covered by another Supervisor post.	£34,400
16	Reduce training budgets to reflect overall reduction in employee headcount.	£25,000
17	Delete vacant post of Principal Audit and Assurance Officer FA007. Work to be covered by Senior Audit and Fraud Analyst with additional hours to be worked by Audit and Fraud Analyst Post.	£25,000
18	Delete vacant Corporate Policy and Equalities Officer post FH031. Work on equalities to be covered by Corporate Policy Officer post.	£39,400
19	Delete vacant Housing Options Manager post SH016. As a result of efficiencies gained through the Vanguard intervention, the work can be covered by merging the post with Senior Housing Officer (Options).	£47,900
20	Delete vacant Business Support Officer post SM005 as no longer required following the deletion of the post of Director of Community Services.	£25,800
21	Delete vacant hours from various posts throughout the organisation where employees have requested reduced working hours.	£67,900
TOTAL FOR PEOPLE/PROCESS		£616,800
PROCEEDS		
22	Consider an increase in the Council Tax by £5 for a Band D property in 2017/18 (in line with Government expectations).	£88,000
23	New rental stream from the recent investment in property in Southampton Road (as per Executive report).	£110,000
24	New rental stream from letting office space within the Civic Offices to new tenants.	£59,000
TOTAL FOR PROCEEDS		£257,000
PROCUREMENT		

	Description	Estimated saving
25	A recent review of the “ out of hours ” service has resulted in a decision to divert calls through the CCTV control centre rather than through third party.	£19,000
26	A recent review of the CCTV monitoring contract has resulted in savings being identified due to ongoing underspends.	£10,000
27	A food and friendship trial (linked to the meals on wheels) service has finished and will now be picked up under new voluntary sector arrangements.	£4,000
TOTAL FOR PROCUREMENT		£33,000

SUMMARY	
Priorities	£79,500
People/Process	£616,800
Proceeds	£257,000
Procurement	£33,000
Gross value of opportunities	£986,300
Severance Cost Totals*	£209,000

***Transition grant to be used to offset severance (£74k p.a. for 2 years)**