

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 3 March 2014

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 during the 2014/15 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 strategy in October 2013, the Executive recognised a £800,000 gap in the Council's budget for 2015/16 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, to date, has given rise to £777,000 of efficiency proposals which will be taken forward over the course of the next financial year in readiness for the 2015/16 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 7 posts from the establishment, of which 3 are vacant, resulting in annual savings of £391,000 from 2015/16 onwards. These posts would be deleted during 2014 in order that the severance costs of the proposals can largely be contained within the existing establishment budget.

The main impact on the organisation would be an 18% reduction in senior management posts, with front line posts unaffected.

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 existing establishment budgets;
- (c) agrees the savings under the headings “procurement” and “proceeds”; and
- (d) agrees that the confidential Appendix A be no longer treated as exempt information and be open for public inspection.

Reason:

To achieve the necessary savings in the 2014/15 financial year to deliver a balanced budget for the following year and meet the Council’s corporate priority to minimise council tax increases.

Cost of proposals:

The proposals set out in the report will achieve annual savings of £777,000.

The maximum 'one off' costs of redundancy would be approximately £299,000 and the maximum payment into the pension fund would be £228,000. These figures could be lower if post-holders were redeployed to other positions within the Council. These costs would be funded from the existing establishment budget for 2014/15.

Appendices: A. New Organisational Structure

Background papers: None

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date: 3 March 2014

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 during the 2014/15 financial year, enabling the Council to achieve a balanced budget for the following year.

BACKGROUND

2. On 7th October 2013, the Executive considered the Council's Medium Term Financial Strategy. Minute 12 (1) states:-

The Executive Leader introduced the item by explaining that analysis of financial projections has identified the need to make significant savings over the next five years. The Executive Leader confirmed that estimates of income and expenditure over the five year period highlight a budget shortfall of £800,000 which has been caused by factors such as the ongoing reduction in Government funding, inflation and low interest rates on investments.

In anticipation of this substantial shortfall, the Executive Leader advised that he has asked the Chief Executive Officer to prepare and bring forward a range of options for the budget gap to be closed by using the four elements of the Council's Efficiency plan (Procurement, Proceeds, People and Priorities) as a basis, with a view to finding £800,000 of savings by 2015.

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

PROPOSALS

4. As stated above, 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.

5. The following paragraphs set out the proposed savings.

Procurement

6. On 7th October 2013, the Executive considered a report on the Fareham Leisure Centre Contract. A five year extension to the current management contract with Sport and Leisure Management Ltd (SLM) was agreed. Members also agreed to provide a sum of £1.5 million from the Council's capital reserves to address the refurbishment of the Fareham Leisure Centre wet side facilities and pool water filtration plant.
7. As a consequence of this new approach, SLM agreed to pay the Council an additional £99,000 per annum as part of the revised management contract for Fareham Leisure Centre. This sum can now be captured as an annual saving.
8. On a smaller scale, the Council's £10,000 annual contract for "risk management advice" is nearing completion. The initial contract was taken out at a time when the Council was still developing its approach to risk management. It is felt that as the risk management approach has matured it is no longer necessary to have such a contract in place. It is proposed that £7,000 is captured as savings, with the remainder of the budget retained to purchase risk management advice, as and when necessary.
9. As a result, the proposed procurement savings can be summarised as follows:-
 - New Leisure Centre Contract £99,000
 - Risk Management Contract £7,000

Proceeds

10. On the 4th November 2013, the Executive agreed to provide £5 million from capital resources to fund further commercial property investment acquisitions. This decision was taken following the successful investment of an initial £3 million in commercial properties.
11. It is estimated that the additional investment of £5 million will generate a minimum rental income stream of at least £250,000 per annum. This sum can now be captured as an annual saving.
12. On a smaller scale, commercial sponsorship of floral displays on roundabouts has increased over the last 18 months and it is now considered realistic to build an additional income stream of £20,000 per annum into the Council's budgets as a result of this activity.
13. It has also been recognised that recycling income has increased over recent months. As such, it is proposed to add an additional income stream of £10,000 to the accounts.

14. As a result, the additional income to be generated from the above proposals can be summarised as follows:-

- Rental from acquisition of commercial property £250,000
- Roundabout sponsorship £20,000
- Recycling £10,000

People

15. 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.

16. It is important to recognise that all 432 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.

17. With this in mind, it is proposed to reduce the number of senior management posts by 18%, as detailed in the confidential Appendix A.

18. Existing post-holders would be ring-fenced to apply for the relevant new merged post. These proposals would result in savings of £323,000 per annum.

19. Maximum costs for redundancy would be £299,000 and maximum payments into the pension fund would be £228,000. It is important to note that these figures could be lower if post-holders were redeployed to other positions within the Council.

20. Details on the structural implications of deleting these management posts are also set out in Appendix A.

21. It is also proposed to delete the following *vacant* posts from the establishment:-

- PA to the Director of Regulatory and Democratic Services
- Benefits Administrator (part time)
- Customer Service Manager CSC (part time)

22. This would result in savings of £43,000 per annum.

23. A further £25,000 per annum can be captured by deleting residual hours from posts where working hours have been reduced due to flexible retirement.

24. As a result, the proposed net savings from employee budgets would be as follows:-

- Senior management £323,000
- Vacant posts £43,000

- Residual hours £25,000

Priorities

25. The final category of potential efficiency savings requires a review of service priorities with customers and, where necessary, considering a reduction in low priority services.
26. Customers were asked to prioritise services in the 2013 Residents' Survey. The results of this exercise were reported to the Executive on 6th January 2014. It will now be necessary to review some of the low priority services identified and to assess the impact of any reduction in service. This requires an equality impact assessment to ensure that there are no adverse effects on the more vulnerable members of the community.
27. As such, it is not possible at this stage to put forward detailed savings proposals for this category until further work is completed. However, recognising the savings identified in the other three categories it will only be necessary to capture a further £23,000 in this area to meet the overall target of £800,000.

FINANCIAL IMPLICATIONS

28. When considering the Council's Medium Term Financial Strategy, the Executive agreed a savings target of £800,000 to be achieved for the 2015/16 financial year. This report proposes savings totalling £777,000, with further work to be undertaken to identify the remaining £23,000.
29. The proposed changes to the employee structure would be implemented on 1st April 2014. This would allow any severance costs to be met from employee budgets already agreed for 2014/15.
30. The early capture of all the savings outlined above would help to provide the foundations for a planned approach to budget setting for the 2015/16 financial year.

CONSULTATION

31. A 30 day consultation process with employees and trade unions commenced on 22nd January 2014 and closed on 21st February 2014. Feedback will be shared with members to assist the decision making process.

DELEGATED POWERS

32. The Chief Executive Officer (as Head of Paid Service) has delegated authority to make the majority of decisions on staffing structures within an agreed establishment budget. The Full Council is required to make a decision on the deletion of a Director's post and the appointment to the role of Monitoring Officer.

RISK ASSESSMENT

33. 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.

34. These risks can largely be controlled but will need to be carefully and sensitively managed over the coming months.

CONCLUSION

35. The Medium Term Financial Strategy has identified the need to make efficiency savings in 2014/15 and the proposals within this report should allow the Council to deliver a balanced budget for 2015/16.

36. The proposals outlined above result in the deletion of 7 posts from the establishment, of which 3 are currently vacant. The main impact on the organisation would be an 18% reduction in senior management posts, with front line posts unaffected.

Reference Papers:

Executive Report - 7th October 2013 - Medium Term Financial Strategy

Executive Report – 7th October 2013 – Fareham Leisure Centre Contract

Executive Report – 4th November 2013 – Commercial Property Investment Acquisitions