

To: Joint Scrutiny Committee	Report Number: JSC/2/13
From: Head of Corporate Resources	Date of meeting: 8 January 2013

UPDATE ON SAVINGS AND COSTS RELATING TO THE INTEGRATION AND TRANSFORMATION PROGRAMME

1. Purpose of Report

- 1.1 To provide a brief update for Members on the latest position on savings and costs of the Integration and Transformation programme.

2. Recommendations

- 2.1 That the Joint Committee notes the current position on integration savings and costs.
- 2.2 That it also be noted that further savings will be required from the transformational reviews that will start in 2013/14 in order to achieve balanced budgets year on year and financial sustainability for both councils in the medium term.

3. Financial implications

- 3.1 The savings achieved to date and in 2013/14 contribute towards the annual General Fund Budget gap (and a proportion benefits the HRA). These will be reflected in the Draft Budgets that are submitted to Members in January and/or February 2013. Further savings from transformational reviews will, however, be needed to achieve balanced budgets and financial sustainability in the years ahead.
- 3.2 Both Councils have established earmarked reserves to meet the initial integration and transition costs in relation to the General Fund. Costs to the HRA can be accommodated from the HRA Business Plan. Some costs were met in 2011/12 through Government capitalisation directions, by using available capital receipts. The Government has made no announcement that there will be future directions.

4. Risk Management

- 4.1 This report links to the Babergh/Mid Suffolk Integration Risk Register items detailed below:

Risk	Probability and Impact	Overall Risk Rating	Key Mitigating Actions
Levels of redundancy and capital pension costs exceed the estimated costs in the business case resulting in reduced short term savings.	Probability:2 Impact:3	6 (Medium)	Integration Reserve to meet costs and regular monitoring of costs to date.
BMI Financial milestones are not achieved leading to savings not being realised.	Probability:2 Impact:3	6 (Medium)	Joint Member Integration Board and Joint Scrutiny Committee monitor position against Business Case.

5. Consultations

5.1 None required for this report.

6. Equality Analysis

6.1 None required for this report.

7. Shared Service / Partnership Implications

7.1 Joint monitoring of the integration savings, costs and benefits by officers and Members is a key aspect of ensuring that the integration and transformation programme is proceeding in accordance with the approved Business Case.

8. Key Information

8.1 The report provides a brief, high level update on the information that was provided to the Joint Committee in May 2012. Since then 34 Corporate Managers have been appointed with the process for 2 further posts relating to Governance and Legal being progressed as part of the Operational Delivery Team (ODT) consultation proposals.

8.2 The integrated Management Team is now in place, therefore, apart from the 2 Corporate Manager posts that still need to be filled. The aim for the remaining staff integration across both councils is for this to be completed by April/May 2013 following the 90 day consultation period, which ends on 12 March 2013.

8.3 The current position is as follows, compared to the Business Case:

Savings

Year	Comments
2011/12	Staff savings of just over £0.2m achieved, as per the Business Case.
2012/13	Significant savings from the Integrated Management Team (tiers 1 to 4) and the 36 voluntary redundancies to date, as well as from savings relating to posts that have been held vacant pending the implementation of the integrated staffing structure. The Business Case indicated estimated staff savings of just over £1.1m. It is envisaged that this will be achieved. The Business Case also allowed for just over £0.2m non-staffing savings. Limited actual savings as the focus has been on the staffing structure.
2013/14	The Business Case indicated estimated staff savings would rise to just over £1.3m. The actual position will depend on the final ODT structures following consultation. Non-staffing savings of nearly £350k were indicated. An allowance will be made in the 2013/14 Draft Budget relating to this

Costs

Year	Comments
2011/12 and 2012/13	Over the 2 years the Business Case assumed total transitional one-off initial costs of £3.3m. This was made up of £2.9m for redundancy costs and £0.4m (after RIEP funding) for other transitional costs. It is anticipated that actual costs will be less than this by the end of the current financial year. The remaining balance will be needed though for additional voluntary redundancies that arise in 2013/14 as a result of the ODT's.
2013/14	The Business Case included £1m for further transitional costs of which £0.9m relates to ICT integration. Actual costs (and savings) will be reviewed and monitored as part of the work related to transformational reviews.

8.4 In summary and conclusion:

- Significant staff savings, in line with the Business Case, have been achieved from the integrated management structure and voluntary redundancies to date.

- Further savings will arise in 2013/14 once the ODT staffing structure is completed
- Total one-off costs to date are within the Business Case forecast
- Further integration costs will arise in 2013/14 on ICT integration and also are likely in relation to the transformational reviews, which are still to be determined.

8.5 An update on the position will be provided to the Joint Member Integration Board when the position on the ODT proposals has been finalised and a further report on the position then submitted to the Joint Scrutiny Committee

9. Appendices

None.

10. Background Documents

None.

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