

BABERGH DISTRICT COUNCIL and MIDSUFFOLK DISTRICT COUNCIL

From: Interim Corporate Manager – Transformation	Report Number: JSC/15/13
To: Joint Scrutiny Committee	Date of meeting: 2nd October 2013

BDC/MSDC INTEGRATION PROGRESS REPORT

1. Purpose of Report

- 1.1 This report provides information on the savings and costs of the Transformation Programme, with reference to the progress that was anticipated in the integration business case formulated in October 2011.
- 1.2 This report also provides a brief update on future financial challenges, over the medium term.

2. Recommendations

- 2.1 That the Joint Committee notes the current position on integration savings and costs.
- 2.2 That the Joint Committee notes the update on the medium term financial challenges.

The Committee is able to resolve this matter

3. Financial Implications

- 3.1 Full financial information is provided in the body of the report. The savings achieved to date 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 2014. Further savings from transformational reviews will, however, be needed to achieve balanced budgets and financial sustainability in the medium term.

4. Risk Management

- 4.1 The nature of this report is such, that a risk management assessment is not needed

5. Consultations

- 5.1 None required

6. Equality Analysis

- 6.1 None required

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 During 2011 a full and detailed business case to support the case for the integration and transformation of both authorities was developed. The initial business case was subject to external validation in March 2011 and the final version was formally adopted by both authorities at full Council meetings on 25th October 2011 (BDC) and 27th October 2011 (MSDC).

- 8.2 The last report detailing progress on the savings and costs of the integration and transformation programme was presented to this committee in January 2013, at which stage both savings and costs were either in line with or better than predicted by the agreed business case.

- 8.3 Since January the remaining aspects of full staff integration have been, in the main, completed. New delivery teams were designed, consulted upon, and implemented, with some aspects of the recruitment process, currently in the process of being completed. The time-line was as follows:

- 12th December 2012 – ODT proposals publicised for consultation
- 12th March 2013 – Statutory consultation period ends
- 16th April 2013 – Final version of new structure published, with a number of changes made as a result of consultation feedback
- 16th April 2013 – First recruitment round commences (ring-fenced to staff at risk of redundancy)
- 1st July 2013 – Round 1 appointments made and successful candidates take up new posts
- 1st July 2013 – Second recruitment round commences (ring-fenced to staff at risk of redundancy) – successful candidates take up post w/c 5th August.
- 6th August 2013 – Third recruitment round commences (open to all internal staff)

- 8.4 As Members will know the completion of the third recruitment has been delayed and the remaining vacancies reviewed, in light of a worse than predicted financial situation – specifically a further 5% cut in central government funding, only clarified in August. Interviews for the third recruitment round are due to be completed by 18th October.

Financial Analysis

- 8.5 The original integration business case set out the anticipated annual savings and costs from integration. That was based on the financial position at that time in relation to Government funding reductions.
- 8.6 In relation to staff savings, a comparison of the business case with the latest position is summarised in the table below:

Year	Business Case £m	Latest Position	Comments
2012/13	1.1	Exceeded	Total savings of £1.3m achieved.
2013/14	1.3	Likely to be exceeded	In addition to the above, further savings on the ODT's will arise once the final recruitment phases are complete. Current estimate is that a further £0.3m could arise, taking total annual savings to £1.6m.

- 8.7 The business case indicated that annual staff savings from integration would rise slightly, to £1.5m by 2015/16. However, it was always recognised that further savings would be needed from transformation to meet the financial challenges and savings resulting from anticipated Government funding reductions. That situation has worsened with the recent Government Spending Review announcements.
- 8.8 In terms of transitional costs for integrating the two organisations, including staffing structures, the latest position is summarised below:

Year	Business Case	Latest Position	Comments
2011/12 and 2012/13	£3.3m	£2.2m redundancy costs and £0.2m other transitional costs	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.
2013/14	£1m	See comment at para 8.9	The Business Case included £1m for further transitional costs most of which (£0.9m) related to ICT integration. Actual costs (and savings) will be reviewed and monitored as part of the work related to transformational reviews.

* These costs have been capitalised previously, but rules have changed and this will not be possible in future.

8.9 In relation to the above it should be noted that:

- Some of the remaining balance not spent in 2012/13 will be needed in 2013/14 in relation to finalising the ODT's.
- ICT costs are currently being reviewed as part of the current financial planning and budget process. Any revisions to the budget requirement will be reported to Members as part of agreed reporting arrangements.

8.10 In summary:

- Significant staff savings have been achieved from integrating management and staff structures, exceeding the Business Case
- Further savings will arise in 2013/14 once recruitment to the ODT staffing structures is completed
- Total one-off costs to date are less than the Business Case forecast
- Further costs will arise in 2013/14 on ICT integration and will also arise in relation to the transformational reviews, e.g. Invest to Save.

Medium Term Financial Challenges

8.11 The financial position and Government funding reductions is worse than previously thought and substantially worse than could have been predicted when the integration business case was put together. Key issues for the short and medium term are:

- The real terms reduction for most local authorities will be more like 15% in 2015/16 rather than the 10% implied by the Spending Round. This figure relates to the combined total funding of revenue support grant (RSG) and business rates, assuming business rates will grow by RPI. Looking solely at RSG, the drop in the funding level approaches 30%.
- The total amount of government spending will continue to fall in real terms at the same average rate as today until 2017-18 i.e. further annual reductions of 15%
- The Government's aim is that RSG will cease completely, leaving local government funded entirely from business rates and non-core funding.

8.12 The combined picture of core funding reductions and estimated potential cost pressures over the next 4 years is summarised in the table below. This is subject to ongoing review.

Year	Mid Suffolk £000	Babergh £000	Combined £000
2014/15	1,787	1,800	3,587
2015/16	1,364	1,250	2,614
2016/17	1,494	1,200	2,694
3 year total	4,645	4,250	8,895
2017/18	1,248	1,100	2,348
Total	5,893	5,350	11,243

8.13 The 3 year combined forecast was previously £8.2m so the latest saving forecast is £0.7m worse than previously estimated. In addition, the deficit reduction programme will at least run to 2017/18, with a further £2.3m forecast savings. Even by using fairly significant amounts of NHB to temporarily fund posts and the Budget generally, there will still be big savings needed over the next 2-4 years.

9. Appendices

9.1 None.

10. Background Documents

10.1 None.

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