

Audit and Corporate Governance Committee Report

Report of: Shared Head of Finance and Advisor to the Chief Executive
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To: AUDIT AND CORPORATE GOVERNANCE COMMITTEE
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AGENDA ITEM NO 7

Costs and savings – shared management structure

RECOMMENDATION

That the committee notes the outturns of costs and savings brought about by the shared management structure.

Purpose of report

1. To advise on the costs and savings of implementing the new shared management structure.

Background

2. Both councils, at their respective council meetings on 16 July 2008, agreed the creation of a shared senior management team. The report to the meetings identified a minimum annual saving of £748,000 between the proposed structure and those existing in each council. The savings were based on the following assumptions :

- the new management structure comprised of no more than one chief executive; three strategic directors; and eight heads of service
- all posts were filled from existing staff
- every displaced member of staff left rather than being redeployed

- re-grading of successful candidates was capped at ten per cent of the existing maximum salary
3. Both councils acknowledged that redundancy costs would be between £310,000 and £578,000, and pension costs to the county council pension fund for early payment of benefits, between £77,200 and £606,800. The combined short term costs were identified as being between £395,000 and £1,122,000. An additional £100,000 was set aside (£50,000 from each council) for the engagement of external recruitment consultants and other minor one-off costs. A maximum pay-back period of costs against savings was therefore under 1.7 years.

Costs and savings against the original estimates

4. The new structure, including on costs, at 2009/10 salary levels is costed at approximately £1,320,000 for this financial year. This compares with £2,111,000 had the two structures remained intact. An annual saving of approximately £791,000 is therefore made, £43,000 more than that identified in the original estimate.
5. One-off costs for redundancy and early payment of pensions is £922,000. This is £200,000 less than the capped maximum of £1,122,000. Redundancy caters for £513,000, with £409,000 being payable to the pension fund. The pay-back period of costs against savings is therefore 1.2 years. The redundancy costs are payable within the last and this financial year. The pension costs are spread over 6 years.

One-off net salary costs and savings in 2008/09 and 2009/10

6. The implementation of the new structure took place on an incremental basis as new appointments were made. This determined costs and savings that were not included in the original proposal. Earlier start and leaving dates, together with later leaving dates due to notice periods, contributed to this. The cost of appointing staff to the new structure before the anticipated 1 April was £23,500. This was offset by savings of £41,500 accrued from early leaving dates. A net saving was therefore made in 2008/09 of £18,000.
7. Notice periods for terminating contracts ran into 2009/10. These totalled approximately £53,000. There is therefore a net additional cost over the two financial years of £35,000 above that anticipated.

£100,000 budget for recruitment and other costs

8. Both councils set aside £50,000 in their budgets to meet costs for recruitment consultancy and other incidental costs arising from the recruitment processes. The estimated outturn of costs for recruitment and other costs is £63,000, (ie £37,000 less than anticipated). £48,000 of this was paid to Rockpools for recruitment services; £5,000 for outplacement services; £3,500 for external legal fees; and £3,000 for interview accommodation. The remaining £3,500 is set aside for any further outplacement or incidental costs.

Accommodation changes to facilitate new structure

9. Changes to office accommodation have been made at Abbey House, Abingdon. The majority of this relates to the management team corridor. The cost of this was £20,000 plus the cost of the Vales` in –house DSO support, all of which is within the existing Vale budget.

Support to shared management structure and shared working

10. Funding was sought and obtained from the Improvement and Efficiency South East (IESE) for advice and support in implementing and developing the new management structure and future shared working. £100,000 funding for the period up to 31 March 2010 was granted. This enabled the appointment of the advisor to the chief executive.
11. This role supports the chief executive with the change programme, and, more specifically, focuses on harmonisation of terms and conditions of employment; harmonisation of HR policies ; and assisting with service reviews. Regular liaison with the IESE is taking place, gaining its and other councils experience of similar projects. In return a sharing of our experiences help others considering similar arrangements.
12. The advisor role will cease at the end of March 2010.

Conclusion

13. This paper provides an indication of the costs and savings attributable to the new shared management structure. They are :
 - ongoing annual salary savings of £791,000, £43,000 more than originally indicated
 - one-off costs for redundancy and early retirement of pension benefits of £922,000, £200,000 less than the maximum allocated
 - one-off costs for recruitment and other minor costs of £63,000, £37,000 less than originally indicated
 - additional net salary cost of £35,000 over two financial years covering start and leaving dates of staff.