

News release

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Letter from Alistair Neill, chief executive of Herefordshire Council

Herefordshire Council's chief executive, Alistair Neill has written to all staff to alert them to the fact that revised plans to reduce spending by £9million are to be taken to the council's cabinet in May.

We are making the letter public in order to ensure that partners, customers, businesses and residents in Herefordshire understand the financial pressures the council is facing and what the likely impact will be on services.

A consultation with our employees about changes to their terms and conditions starts tomorrow.

Dear colleague

You will be aware that Herefordshire Council faces a huge cut in central government funding. By 2015 our government grant will be an estimated 33% per cent lower than it was in 2011.

Over the past two years the council has reduced costs by £21million through efficiency savings and reductions in some services. This year we need to deliver savings of around £9million and in the next two years a further £23million. Furthermore, inflation has reduced the value of our income significantly.

When I took up the post of chief executive in March, I asked the senior management team in each service to work with the chief finance officer to review the budget and the plans to ensure we deliver the necessary savings. We cannot spend more money than we receive. Against a background of radically reduced funding from central government our plans need to be as strong and resilient as possible.

The upshot of this review was that we identified weaknesses in our plan for this year amounting to £8.4million (more detail on this is available in the accompanying question and answer sheet).

To ensure we move forward with a stronger plan and also to prepare us better for the future, we reviewed all service areas again to find further savings. As a result, we now have an action plan to deliver the necessary £8.4million of savings this year. We have also identified actions that should deliver a further £1million savings which will flow into next year, helping the council to plan at the earliest stage for the challenges ahead.

A report on these savings will be taken to cabinet in May, but broadly they are:

- We will have to cease some services that are valued by our partners and residents simply because we no longer have the funds to support them.
- We will unfortunately have to cut additional jobs. We now estimate that around 300 full time equivalent posts will be lost over the next two years through our existing plans and the additional proposals we are now taking forward. *(Full time equivalent posts is a smaller number than the actual number of jobs because two or more part time jobs may be added up to make a single full time equivalent.)*

- Tomorrow (Tuesday 30 April) we will begin consulting with our staff about changes to their terms and conditions which will help reduce our pay bill.

We will have to go much further in future years. The planning for those savings will start in May and we will be delivering significant savings next year. To achieve these savings, the council will have to become much more business-like.

We will focus on three core areas:

- Protecting the most vulnerable in our communities through the services we are required to provide.
- Providing the services that are most vital to our communities and which we are required to provide.
- Co-ordinating and supporting the development of Herefordshire's economy.

Other non-statutory services may have to be commercialised or stopped.

Herefordshire Council is not alone. Local authorities across the country face similar unprecedented challenges. As in other parts of the country, we will need to consider how to best pull back from services that we will not be able to afford to deliver in the future and to release assets, such as buildings, that are no longer needed by the reshaped council in such a way as to minimise the impacts on the whole county and local communities.

This means that we will set out to our local communities where there are real, but urgent, opportunities for them to take more responsibility for services and for assets that we can no longer support. These could for example, instead of being stopped, be transferred to local groups, without additional funds. In this situation, local groups will need to demonstrate the ability to manage and sustain such services and assets locally, within the urgent timeframes that we have no option but to deal with.

Herefordshire Council will continue to play a leading role in the life of the county. We will remain a significant employer and will ensure that vital local services are delivered. We will become more business-like and efficient and focus on delivering value for money.

We will be making a series of announcements over the coming months and working hard to keep customers, residents, partners, staff, local businesses and councillors informed. I wanted to take this opportunity to explain the situation the council finds itself in and how we are responding.

I attach a sheet of questions and answers, which will provide more detail on some of these issues.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Alistair Neill', written in a cursive style.

Alistair Neill
Chief executive, Herefordshire Council

Question and answer sheet

How big is the council's budget and how big are the savings it has to make?

This chart sets out for each year and cumulatively, the costs the council has taken out and needs to take out, for each of those years, alongside cumulative savings. These savings include savings that are over and above the direct government cuts, as they include a range of cost pressures such as the effect of inflation (which is cumulatively 14% for the 4 years up to 2014/15) and the unsustainable rise in demands on our services, most intensively in adult social care.

Year	Savings made in year	Cumulative savings since April 2010
2011/12	£10.3million	£10.3million
2012/13	£10.8million	£21.1million
2013/14	£9.1million	£30.2million
2014/15	£11million	£41.2million
2015/16	£12.1million	£53.3million

Our income comes from a number of sources, of which council tax from local residents accounts for 24% of our gross expenditure.

2013/14 gross budget of £331million:

- 34% of this budget comes from government grant
- 23% comes from dedicated schools grant
- 9% comes from business rates (NNDR)
- 24% comes from council tax
- 10% comes from fees and charges, rent and other types of income

The budget was only agreed in February, why are you making these changes now?

The council knew when it set the budget based on the work carried out last year, that there were risks associated with the plans to deliver the savings, especially in such unprecedentedly challenging financial circumstances.

As is normal practice for an incoming chief executive, Alistair Neill has reviewed the risk profile of the plans in the budget and this revealed areas where the plans were not sufficiently resilient and areas additional savings need to be made to ensure that the council delivers its plan within its budget.

Why do we need to do more to save £8.4million this year and where will the savings be found?

When we reviewed the budget and savings plans, we identified a range of risks in the planning to deliver necessary savings.

We had identified total savings of £20million to be made in this year's budget though some of those savings we reinvested in other services.

The review also identified that £1million of procurement savings we had intended to make last year had slipped and needed to be tackled in this year.

A further £3.8 million of service specific grant was found to have been inadvertently included in our direct grant from government during the budget process. We needed to address this as an additional savings requirement.

The upshot is that we needed to develop stronger plans to ensure we reduced costs by £8.4million. We have actually developed plans to deliver savings of up to a further £1 million. If these savings are not required this year, they will be used to offset the enormous further savings required next year.

This year, we expect around £3.1million of savings to be found from our corporate services, £1.7million from the places and communities directorate, £1million from children's services and £3.5million from adult services.

We will continue to prioritise the frontline of our core services and therefore our focus will be on reducing services that are no longer affordable and which are not mandatory and in reducing the 'back office' supporting the frontline core services.

How many jobs will be lost and from which areas of the council?

We talk about full time equivalent posts. This is a smaller number than the actual number of jobs because two or more part time jobs may be added up to make a single full time equivalent.

The council employs and manages 1,042 full time equivalents directly. In addition, around 100 full time equivalents are seconded to the Wye Valley NHS Trust.

Hoople Ltd (our shared services partner) is working with us to ensure that we achieve our plans for greater efficiency and reduction of our 'back office'.

Through savings we had already planned for this year, we expected to reduce the number of full time equivalents by 100 - 120. The additional savings we have now planned are expected to reduce the number of full time equivalents by around a further 200 over the next two years.

We will be focussing on the future shape of the council and its core services as we progress through this year, in order that we have a clear plan to sustain good core services through the next two years of £23million cuts. This may lead to further contraction and job losses in future years. We will ensure that we clearly communicate any further development of the council's services once the work has been done this year to consider the re-shaping of council services.

What is different about the savings this year?

Though we will continue to focus on improving value for money in our services, we cannot achieve the enormous savings required simply by working more efficiently. People understand this, but the difficult thing is then deciding that we must stop doing certain things in order to do the essential things well. So this year, we are facing up to these very difficult choices and decisions. In broad terms, if we haven't got it, we can't spend it. We need to be very clear about developing a council that is business-like, efficient, customer facing and one that is focussed on its core, essential services.

What will the council do differently?

We have changed our internal process to make sure that all managers are focused on financial control. We are stripping out meetings and agendas to help make sure that managers and councillors can focus on the most important tasks for the council.

We intend to communicate clearly to our customers, partners, suppliers and the wider community and economy on our plans and on the issues that we must face up to, because these issues affect the whole county.

By focusing on delivering a small number of services well, we aim to become a better council.

What do you still need to do?

- Further savings will need to be found over the coming years.
- We need to do more work internally to make sure we have the right people in the right roles to deliver our core services of delivering mandatory services, supporting and co-ordinating economic development and generating income.
- Promote personal independence and responsibility for many people who might otherwise receive support from our adult social care services, as well as controlling costs and improving the efficiency of those services.
- Reduce or stop council funding of a range of services including those in the areas of leisure, recreation and culture.

Ends

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